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THE EFFECTS OF RURAL AIRLINE SERVICE ON SMALL BUSINESS

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

THE EFFECTS OF RURAL AIRLINE SERVICE ON SMALL BUSINESS

GREAT FALLS, MT—OCTOBER 29, 1986

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October 29, 1986:
Morning session 1

THE EFFECTS OF RURAL AIRLINE SERVICE ON SMALL BUSINESS

WEDNESDAY, OCTOBER 29, 1986

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to notice, at 9 a.m., in the Great Falls International Airport Banquet Room, Great Falls, MT, Hon. Max Baucus (senior member present) presiding.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM THE STATE OF MONTANA

Senator BAUCUS. OK. Let's start. This is a hearing of the Senate Small Business Committee. I am a member of that committee and I am very grateful to have the services of the committee.

The purpose of the hearing is very simple. It is how to improve air service in our State. We are a State that is not as close to the urban markets as some other States. We are also a State that is in very significant, in my judgment, economic—if not decline—certainly difficulty. We are a natural resource State. We depend very much on our mineral industries, copper and coal. We depend very much on lumber. We depend very much on agriculture. We depend on tourism. We are a small business State. We are certainly a State that is suffering from significant economic difficulties and, as such, air service is something that is not only important to us, it is absolutely essential. Quality service—improved quality of air service, I think—is critical to helping us improve the development of our State's economy.

It is also quite apparent to me that our State is somewhat divided into a couple of areas. One is the eastern part, and the western part, the two congressional districts. The west is more mountainous; the east is more plains. Maybe that partly explains why Essential Air Service, the Federal program that helps compensate computer airlines, is important in the eastern part of the State, servicing cities like Sidney, Glendive, Glasgow, Lewistown, and so forth. This is a very essential program since deregulation of our airlines, not only to eastern Montana service, but other parts of the country—I believe 105 communities in the country see benefits from the Essential Air Service Program. It is a program that is essential for us in our State especially eastern Montana because we are a very, very thinly populated State compared with most other States in the Union. We have 4.5 people per square mile in Montana; in New

Jersey, there are 160 people per square mile. There aren't many States like ours.

There is another part of air service to our State, the larger carriers that particularly serve our major Montana communities—Great Falls, Billings, Missoula, Helena, Butte, Bozeman, for example. It is my view that service in these communities the last couple of years has deteriorated; our service in those communities is less now. We have had problems in the past, but certainly with the turmoil in the airline industry since deregulation—carriers coming and going, routes changing willy-nilly, fares changing willy-nilly, discounts here and not there, it is very hard for a person to know who is flying where and when and what the fare will be.

I am concerned about major airlines, Northwest, Western, Continental, Frontier, going in and out of our communities—unfortunately, more out than in. It seems to me we have to find a way to provide better jet service to our major Montana communities. That is not to say that we should take action that will jeopardize or hurt the commuters, Big Sky, Horizon, others. In my judgment, if Montana is to grow as a State, if we are going to meet and solve some of the economic problems we face, we have to have superior air service to our major Montana communities. So part of this hearing is to ascertain how we can maintain and improve upon essential air service programs into many of our communities, particularly the eastern part of the State.

The other part of this hearing is how we can improve the quality of air service in our major Montana markets. I don't expect to find a simple, absolute answer today, but I do intend to open up this question as best I can, because I think it is so critical to rural States like Montana.

We have three panels divided into basically three separate areas. The first panel are people who are very much directly tied with the Essential Air Service Program.

The second panel are people in our State who tend to represent businessmen and others who depend upon air service, and the third panel are air carriers, including the commuter, Big Sky; that is the basic breakdown.

I'm going to open up the hearing at the end so that anyone who wishes can speak his or her piece. If anybody wants to make a statement for whatever reason, as long as it is related to the subject of our hearing, that certainly is not only permissible, but I ask for it if you are inclined to do so. This is not meant to be a hearing only for so-called specialists or heads of organizations, since the hearing is meant to also be for anyone—citizens of our State—who wish to become more involved. This is part of my effort to get more people more involved, quite frankly, in our Government. I think it is a critical hearing.

As a good example, I see a congressional candidate here, Buck O'Brien. I learned that if a candidate shows up, it's probably pretty important. Glad to see that Buck is here.

[The prepared statement of Senator Baucus follows:]

SENATOR MAX BAUCUS

OPENING STATEMENT
HEARING ON AIRLINE SERVICE IN MONTANA
GREAT FALLS, OCTOBER 29, 1986

I'D LIKE TO WELCOME EVERYONE HERE TODAY AND THANK YOU ALL FOR COMING.

THE NEED TO HOLD THIS HEARING BECAME PAINFULLY APPARENT RECENTLY WHEN A GROUP OF HIGH TECH CORPORATE EXECUTIVES VISITED MONTANA FOR A DAY OF UNIVERSITY AND SMALL BUSINESS PRESENTATIONS.

I DON'T THINK ANY OF THEM HAD BEEN TO THE STATE BEFORE, BUT THEY ALL COMMENTED ON HOW HARD IT IS TO GET IN AND OUT OF THE STATE.

MONTANA CANNOT BE AN ISOLATED STATE. OUR ECONOMIC SUCCESS DEPENDS ON SUCCESSFULLY MARKETING OUR GOODS IN THE REST OF THE COUNTRY AND THE REST OF THE WORLD.

WE ARE A LONG WAYS FROM MANY OF THOSE MARKETS. AIRLINE SERVICE IS NOT A LUXURY FOR US,

BUT AN ABSOLUTE NECESSITY. WE IN MONTANA MUST HAVE SWIFT AND AFFORDABLE ACCESS TO THE REST OF THE WORLD.

FRANKLY, WE ARE LOSING THAT SERVICE.

IN ONLY THE LAST COUPLE OF MONTHS, ALMOST EVERY MAJOR MONTANA COMMUNITY HAS LOST THE SERVICE OF TWO MAJOR AIRLINES; NORTHWEST AND FRONTIER.

MOST OF MONTANA'S AIR SERVICE IS NOW MET BY THE 15 PASSENGER COMMUTER AIRLINES WHICH WE CAN SUPPORT AND USE, BUT WILL OUR VISITING BUSINESS PEOPLE AND TOURISTS?

IT IS TIME TO START ASKING TOUGH AND SENSITIVE QUESTIONS:

- IS MONTANA SHARING IN THE BENEFITS PROMISED BY DEREGULATION?

- WILL A DEREGULATED BUT MORE PROFITABLE AIRLINE INDUSTRY MEAN A DEFLATED AND UNPROFITABLE MONTANA ECONOMY?

- o ARE THE MORE EXPENSIVE FARES IN SMALLER MARKETS BEGINNING TO SUBSIDIZE THE OUTRAGEOUS DISCOUNTS BETWEEN MAJOR CITIES?

- o WILL THE RURAL AREAS BECOME ISOLATED AND DISENFRANCHISED FROM THE MAINSTREAM OF A NATIONAL TRANSPORTATION SYSTEM?

THERE CAN BE NO SACRED COWS IN THIS EXAMINATION AND THAT INCLUDES THE INFALLIBILITY OF DEREGULATION.

WE REGULATED THE AIRLINE INDUSTRY IN THE 1930'S IN RESPONSE TO BANKRUPTCIES; DESTABILIZING AIR FARE WARS; SAFETY VIOLATIONS RESULTING FROM COST CUTTING, AND; UNCOMPETITIVE PRACTICES.

SOUND FAMILIAR?

-- <u>BANKRUPTCIES</u> TODAY ARE SUPPOSE TO BE A NECESSARY PART OF DEREGULATION, BUT I DOUBT THAT WE'LL SEE INCREASED COMPETITION, MORE SERVICE OR CHEAPER FARES AS A RESULT OF FRONTIER'S BANKRUPTCY.

-- AIR FARE DISCOUNTS HAVE PROVIDED AMAZING VALUES FOR THE TRAVELER--SOME TRAVELERS ESPECIALLY; $69 TO CROSS THE CONTINENT. EIGHTY-FIVE PERCENT OF AIR TRAVELERS USED DISCOUNT FARES LAST YEAR, WITH AN AVERAGE DISCOUNT OF 56%.

BUT WHO BENEFITS AND WHO PAYS?

-- SAFETY IS A GROWING CONCERN. CONCENTRATION IN HEAVY MARKET AREAS HAVE PUSHED OUR AIR TRAFFIC CONTROL SYSTEM TO ITS LIMIT--PERHAPS BEYOND.

-- COMPETITION IS DIMINISHING. IRONICALLY, IT MAY BE DEREGULATION WHICH ENDS UP DESTROYING COMPETITION. WITH THE LATEST MERGERS, ONLY 7 AIRLINES CARRY 85% OF ALL TRAFFIC.

WHEN CIVIL AERONAUTICS BOARD CHAIRMAN ALFRED KAHN OVERSAW DEREGULATION, HE SAID THERE WAS NO CHANCE THIS COUNTRY WOULD END UP WITH JUST SIX MAJOR AIR CARRIERS.

We're very close to that now! The latest merger approvals will result in seven of the largest airlines carrying 85% of the traffic!

The pendulum of history is swinging back to the '30s. Service, at least in Montana, seems to be vanishing.

So far, deregulation has not helped Montana. And I am concerned that our situation will get worse.

I don't know what the answers are right now. Perhaps there are ways to work within a deregulated industry to secure adequate air service.

Or, maybe other incentives or re-regulation needs to take place to provide more balance.

The purpose of this hearing today is to begin asking those questions so we can find an answer before its too late.

So, lets get down to business.

Senator BAUCUS. So let's begin the hearing. I would like the witnesses to keep statements to 5 minutes. Sometimes that will be easy; it may be difficult for others. Let's try to keep it to 5 minutes. I ask each person in each panel to make a statement, and then at the conclusion of each panel I will ask some questions, and I tend to kind of mix it up a little bit. I'll ask a question to maybe all witnesses, maybe one question to one or two, and maybe have a witness or two ask each other. My main point is to get as much solid information out as I possibly can about our major goal, how to improve air service in our State.

OK. The first panel is Mike Ferguson, Airlines Commission; John Rabenberg, Governor's task force, Wolf Point; Terry Marshall, president of Big Sky; and Marilyn Johnson, World Travel Agency.

Mike, why don't we start with you?

STATEMENT OF MICHAEL D. FERGUSON, ADMINISTRATOR, AERONAUTICS DIVISION, DEPARTMENT OF COMMERCE, STATE OF MONTANA

Mr. FERGUSON. I am Mike Ferguson, administrator, Montana Aeronautics Division of the Department of Commerce. I wish to thank you, Senator Baucus, for your interest in the important and serious issues facing Montana's present and future air transportation service and for taking the time from your busy schedule to hold this hearing here today to learn firsthand of our concerns. I also thank you for inviting me here today to express our concerns and views relating to the rural EAS subsidy program.

Governor Schwinden, as well as Keith Colbo, director of our department of commerce, have been very concerned over the air service issues facing Montana and have been actively involved in meetings with civic groups and the airlines. Governor Schwinden serves on the Air Service Committee of the Western Governors Association. The WGA is strongly committed toward reauthorizing the EAS program prior to its expiration in 1988, so States, communities, and airlines can effectively plan and program for the future.

While we in State government have a great concern and interest in the entire transportation system—the major airlines, as well as the commuter airline served-route systems—I will adhere to your agenda and limit my remarks to the rural Essential Air Service [EAS] system which serves seven of our Hi-Line and eastern communities and West Yellowstone. This system, as you know, is served under the provisions of section 419 of the 1978 Airline Deregulation Act, which guarantees air service to these communities for 10 years. This provision will terminate in October 1988. We are obviously very concerned over the probable loss of air service for most of these communities when the subsidy is cut off. It is doubtful that without the subsidy few, if any, of these communities could provide sufficient boardings to make it economically feasible for an air carrier to continue providing service.

Governor Schwinden has appointed an EAS task force comprised of an official representative from each of these communities, and this task force has been actively involved for several years in addressing issues and problems related to their service. The air carrier providing services to these communities, Big Sky Airlines, al-

though not a member of the task force, has taken an active role in these meetings. We feel that this dialog has been quite successful in addressing and resolving many problems.

Our Montana EAS task force, along with a similar group from Minnesota, has most recently taken a lead and has been actively involved in pulling EAS communities throughout the United States—including Alaska—together in formulating post-1988 legislation to continue some form of subsidized EAS. The next national meeting, which we are vigorously working on, is scheduled to be held in Denver on November 19 and 20. We are hopeful that through persuasion from your office there will be representation present at that meeting from the Department of Transportation's Office of Essential Air Service. In view of the recently passed appropriations bill which includes a resolution requiring that the DOT's office of EAS conduct a study on the "impact of discontinuance of EAS" and report their findings back to Congress in mid-February, it is my opinion that this meeting would be the logical and perfect forum for their first step in accomplishing this mandate.

The drafted legislative proposal being considered contains language which suggests that the funding for continued subsidy come from the aviation users' trust fund. I know that this was not the intended use of the trust fund; however, there are several other items being funded from this fund which were not initially intended either, and the fact is that the balance in this fund has now reached an unbelievable $8.5 billion. The logic in using the trust fund money is that the very passengers who are boarding flights in the subsidized points are actually contributing to the trust fund through the purchase of their airline tickets. In other words, the money is not a total handout, and it does not come from the general fund.

Although we would like to have you, personally, attend this important meeting in Denver, we understand that this may not be possible. However, maybe you could send your aviation staff member. If this is not possible either, we will keep you apprised of the results.

I will conclude my remarks by expressing our grave concerns over continued and improved EAS to rural Montana and its importance to the overall economy of not only the communities served, but to the State as well as the Nation. These communities contribute a great deal to the national air transportation system which they are now a part of, and deserve to remain so in the future.

Senator BAUCUS. Thanks, Mike, very much.

John.

STATEMENT OF JOHN RABENBERG, REPRESENTING THE GOVERNOR'S ESSENTIAL AIR SERVICE TASK FORCE

Mr. RABENBERG. Thank you, Senator. My name is John Rabenberg, Wolf Point, MT; I am here representing the Governor's Essential Air Service Task Force. We, as a task force, want to thank you for coming to Great Falls to hear about our concerns.

I would like to start by saying that the EAS is very important and very essential to our business community. In Montana, with

sparse population and many miles to travel, we need scheduled air service.

In this day and age, it is almost impossible for industries to locate where there is no air service. We need industries in Montana, so it is important that we continue our airline service.

We have three industries in the Wolf Point area. One of these industries has about 50 percent of the world market for the product they produce. Without scheduled air service, it would be difficult to stay in Wolf Point, and they would probably move. This industry is Woods Power Grip. One of the other industries is one of the largest single employers in Montana, with 500 employees. It would also be difficult for them to operate there without air service. The third activity is oil. We have much activity; and yet, when the oil prices come back, we will have much more. They are very much hindered without air service.

We then have the businesses that need air service very much. We are a long way from any major town in Montana, so when there is a meeting in the State, we have to travel. Without air service, it is at least 2 days for any meeting. If we have to go to our capitol, it is a 3-day situation. With the present air service, it is a 1½-day trip and much easier.

We also have the Sioux and Assiniboine Indian Tribes on the Fort Peck Reservation. They also have to do much traveling. They have to go to Billings to the BIA headquarters and to Washington, DC.

Now, I have given you one area. We have seven communities with basically the same needs—Sidney, Glendive, Miles City, Havre, Lewistown, Glasgow, and Wolf Point—all very remote points.

As you know, in the rural areas we don't have a lot of people, so we may need subsidy for some time yet. That is why we are going to support legislation to continue subsidy for another 10 years at least. We don't like to be subsidized, but we need help. And I hope you will help us.

Senator BAUCUS. Terry, you go next.

STATEMENT OF TERRY D. MARSHALL, PRESIDENT AND CEO, BIG SKY AIRLINES

Mr. MARSHALL. Senator Baucus, members of the Senator's staff, Montanans interested in commercial air service, and distinguished guests. As a native Montanan closely involved in the management of a Montana-based commuter/regional airline which has provided air service to eight communities in this region on a continuous basis since the inception of the Federal Government's Essential Air Service [EAS] Program, I was asked to share with you some of my views and be available to answer questions. Although Big Sky Airlines maintains an intense interest in providing an excellent system of services throughout the State of Montana and the immediate region, I can say that we remain committed to the smaller cities in eastern Montana and western North Dakota which we serve. As a result, I am pleased to be here today to participate in this EAS discussion and to listen and take notes on the other discussions which will follow.

There are several aspects of the EAS program which are of interest to me; however, since the time available is brief, my remarks will focus briefly on, one, the law which established EAS in 1978, and, two, the Government's subsequent interpretation and administration of that law. Through our company's experience and insights gained, I hope to provide you with a better understanding of one area of problems and concerns surrounding the program and provide a general recommendation for improvement, should the program be extended in any form beyond its scheduled termination date in October 1988.

At its inception in 1978, and in several CAB staff papers which were circulated prior to the passage of the Airline Deregulation Act, I recall that the section 419 EAS program was hailed as a fresh new approach which would improve air service at approximately 200 small communities nationwide, provide carrier incentives, and assure community/State involvement. The program was to be a unique, cooperative effort among the communities and States, the Federal Government, and involved carriers aimed at helping small community air services become self-sufficient before the expiration of the 10-year program in October 1988—just 2 short years from today.

In 1978, following several years' experience under the preceding section 406 local service subsidy program, the new EAS service concept appeared to be workable to most communities and States. Additionally, it sounded like an attractive program to prospective carriers—one which would concentrate on traffic development and allow the participating airline a reasonable return on investment. Unfortunately, in retrospect, the law creating EAS was not entirely perfect and certain aspects of its administration by the CAB—later, DOT—I believe have diluted its positive potential.

While laws often are imperfect, generally they are sufficiently broad in nature to permit reasonable administrative flexibility. In my opinion, such flexibility has not always been appropriately exercised. Admittedly, the EAS program has achieved success in some areas, primarily in reducing the Federal subsidy budget; however, to clarify, its achievements have suffered from defects in both law and administration, as follows.

One, defects of law—the Essential Air Service provisions of the Deregulation Act of 1978 were written in the context of the fairly stable airline industry and growing national economic environment of the 1970's. Although considerable attention was focused upon the potential impacts of deregulation on the major carrier industry, insufficient time and effort was spent studying the far-reaching spinoff impacts these changes could have on the continuity and viability of small community air services. In fact, the effect of airline deregulation on many small communities has been destabilizing and even devastating. Lack of route protection in EAS contract markets and the loss of mandatory joint fares were but two of the shortcomings of the law.

Two, defects of administration—early in the EAS program, the CAB established several fairly rigid internal policies and precedents by Board order which restricted the program's effectiveness. For example, in some cases the CAB refused to recognize and/or act promptly when traffic and revenues were reduced dramatically

by externally controlled forces, such as declining national or regional economies, the air traffic controllers' strike, the loss of joint fares, and/or diversion of revenues from a subsidized route by unexpected competition. Through the CAB's rigid definition of the term "fixed rate" and burdensome hold-in provisions, as well as its apparent tendency to select the low bidder, the carriers providing EAS were destined to have problems and become disenchanted with the program. This feeling has undermined the program and soured the attitudes of several communities.

Last, the Reagan administration's annual position since 1985 that EAS should not be funded has only added to the program's instability and lack of success.

I believe that to gain and keep the support of communities, States and carriers, any future small community air service program—if there is one—must be better designed and sufficiently flexible to address real world circumstances in a timely manner. With a greater number of profitable, nonsubsidized route opportunities becoming available for code-sharing regional airlines, anything less will ensure deterioration of traffic and service at small communities, and the program's ultimate failure.

Senator BAUCUS. Thank you, Terry.

Marilyn.

STATEMENT OF MARILYN JOHNSON, OWNER/MANAGER, JOHNSON'S WORLD TRAVEL SERVICE, INC., SIDNEY, MT

Ms. JOHNSON. Senator Baucus and staff, thank you very much for asking me here. I appreciate the opportunity to air my views on the situation.

I am Marilyn Johnson, owner/manager of Johnson's World Travel Service, Inc., Sidney, MT. I have been in business for 10 years in the travel business in Sidney.

Webster's dictionary defines the word "essential" as absolutely necessary, indispensable. Do we need air service to Sidney, MT? Absolutely. If air service were terminated, the effects could be devastating for many reasons.

One, this is the only public transportation system we have. Bus service was terminated recently. We have no rail service.

Two, long driving distance to the larger hub cities is extremely time consuming; 5 hours to Billings or Bismarck, 4 hours to Minot or Regina. It is costly, calculating expenses, mileage, meals, overnights, et cetera, and hazardous during adverse weather conditions. These factors create a hardship for everyone, especially our senior citizens who must sometimes hire a driver.

Three, eliminating air service to Sidney and other isolated communities dependent on this vital service would further cripple the already very troubled agriculture and oil industries.

Four, going back to the old ways of travel—the long drive, et cetera—would mean more population loss to other metropolitan cities and States.

Five, my travel agency business consists of 50 percent commercial, 50 percent vacation/leisure travel. Without air service to Sidney and the effects of deregulation, it is questionable as to the feasibility of continued operation.

Six, tourism is the one bright spot in our economy. As Montana fund drive chairwoman, I am very much involved in the reconstruction of Fort Union, located in northeastern Montana. I see this project as a very favorable economic growth factor for Montana.

Our distinguished national fund drive chairman, Lord John Jacob Astor III, along with other officials, arrived in Williston last summer via Big Sky/Northwest Orient Airlines. Without this vital air service it would certainly hinder the progress of this most important project.

Is air service essential to our isolated communities? Do birds need wings? Yes. Certainly, as Webster put it, it is absolutely necessary and indispensable.

Senator BAUCUS. Thank you, Marilyn.

The first question that comes to my mind is how the service has been, basically, in the communities of Wolf Point, Sidney, Glasgow, Glendive, and Havre.

Ms. JOHNSON. How has the air service been?

Senator BAUCUS. As you think people living in the community see it. How has it been in the last year or two compared to before that? Is it about the same, better, worse? I'm trying to find out how people generally perceive air service in eastern Montana.

Ms. JOHNSON. I feel it continues to improve, the air service. The schedules, the fares, especially since Big Sky joined with Northwest—the airline situation—the fares have certainly been better.

Senator BAUCUS. Fares better?

Ms. JOHNSON. Yes.

Senator BAUCUS. Frequency better?

Ms. JOHNSON. Connections are great.

Senator BAUCUS. Connections better? John.

Mr. RABENBERG. Yes, I would admit the service frequencies and the attitude toward our air service is much better than what it has been. As you know, when Frontier pulled out, we went through the strain of a small commuter and people were a little more leery of it. As time has gone on, I think people are much more proud of the service we have now than we have ever had before. So I think, yes, the service that Big Sky has given us—there are many months they're 100 percent. Many months reports come out—take, for example, Wolf Point—that the flights are 100 percent completion.

Senator BAUCUS. Completion means the number of planes that actually took off and landed?

Mr. RABENBERG. Yes. The time schedule is up to around 90 percent. That is very professional. I think that is one thing that the people have really appreciated, is the fact that they know that plane is going to be there, and it is going to be there on time.

Senator BAUCUS. It is your general feeling that the service is better now——

Mr. RABENBERG. Yes.

Senator BAUCUS [continuing]. Than it was?

Mr. RABENBERG. Five, six years ago.

Senator BAUCUS. Mike.

Mr. FERGUSON. I would agree from what I heard at these meetings.

Senator BAUCUS. That is my feeling, too, basically. The next question, if so, what caused that? Why? What has happened? Why is the service better and to what degree does that depend on Essential Air Service Program, to what degree does that depend—other reasons that come to mind. Terry, you are probably closer.

Mr. MARSHALL. I think by and large the points were almost all touched on in answer to the last question.

Senator BAUCUS. What is the primary reason why service is improved?

Mr. MARSHALL. I think there are two; first, of course, being the operation of the company. We invested a lot in 8 years beefing up not only management, but systems, and so forth, to maintain higher levels of operational performance; but that has gone hand in hand in terms of acceptance, and so forth, with the agreement with Northwest Airlines, and the two together—on the operations and marketing side—have done a lot for our company the last year and a half.

Of course, the Federal support has meant a lot. The concern on our side has been—it seems like a constant battle; every time we go back, the impression left there is that we are robbing the treasury to bring back to Montanans. We don't feel that in the cities we serve.

Senator BAUCUS. How much of your revenue is EAS?

Mr. MARSHALL. That is something our company has had as an objective since day one, not to be heavily reliant on Essential Air Service. In the past we have been as high as 60, 65 percent. We are now 10, 12 percent of system revenue; 10, 12 percent of our total revenues, down from 60, 65.

Senator BAUCUS. By revenues, you mean fare and everything else?

Mr. MARSHALL. Total commercial revenues.

Senator BAUCUS. Do you expect to maintain about the same rate?

Mr. MARSHALL. My objective—not that we are negative on the program continuing; we cannot afford to be in a position where we are overly dependent on it. We hope to get it down to the 5-, 8-percent range in early 1988. Again, not by reducing Essential Air Service, but by building our revenues in other markets.

Senator BAUCUS. How much dependent upon going to other major markets? How is reduction in Essential Air Service dependent upon Big Sky going into Missoula, Helena, Bozeman?

Mr. MARSHALL. How much reduction? One hundred percent.

Senator BAUCUS. Say you weren't flying into Missoula, Helena, or the four or five flights to Spokane. I'm trying to get a sense of degree to which your reliance on the EAS Program is dependent upon you getting out or extending beyond—not only serving eastern Montana, but also serving other markets in addition to eastern Montana.

Mr. MARSHALL. There is no doubt, we have said it all along, for the company to be viable in long-term and provide a good system of State service, including Essential Air Service or service without subsidy to some of these cities, we have to have access to bigger markets, spread our fixed costs to gain greater efficiency, and so forth. And the types of opportunities we have had in the last 4 to 5 months have been just the type of opportunities needed to start

that regional—or at least intrastate—service, and get the kind of efficiency of scale needed to really make a return.

Senator BAUCUS. What is your revenue in markets outside, basically, the western part of the State?

Mr. MARSHALL. Today, probably 75 percent in the western part.

Senator BAUCUS. What percentage of your costs, systemwide costs, are outside?

Mr. MARSHALL. That is an argument we go round and round with with the DOT. I don't know if I have an easy answer for you. We always claimed these costs per unit passenger or seat mile providing service in small communities is higher than in denser markets.

Senator BAUCUS. How much higher?

Mr. MARSHALL. Perhaps 10 percent.

Senator BAUCUS. Ten percent differential? How would you improve the program? The program expires a year from now—2 years from now, October 1988. You basically touched on flexibility; those are words that if I were in the industry, working with the DOT, I would know what you are talking about. In a little more English——

Mr. MARSHALL. I am trying awful hard. I'm not sure where to start.

Senator BAUCUS. What it all comes down to.

Mr. MARSHALL. The real problem is that rates are arrived at based on projected expenses and projected revenues. As anybody knows, that can be a very risky business on either side. Certainly in the last 3, 4 years, projecting revenues with an economic decline, and a lot of other factors, has been risky. Those numbers, once projected, are not necessarily going to be good numbers 2 months, 6 months down the road. The problem with the program—what was claimed to be one of the great positives of it—is the fixed rate system; not like the old system, which was kind of a public utilities-type system, but a fixed rate come hell or high water; that is the rate, and gives, supposedly, the carrier a lot of incentive to beat the rate. If things go sufficiently to pieces it isn't reasonable, and then the incentive is gone.

Senator BAUCUS. What do you prefer?

Mr. MARSHALL. There are some positives to it. The law, with a couple of exceptions as I noted, is workable. I think there needs to be some flexibility to recognize that in fact there are sorts of trigger mechanisms or flag mechanisms when things get out of certain parameters; we need to take a new look at this.

Senator BAUCUS. You would like a little more flexibility?

Mr. MARSHALL. Yes.

Senator BAUCUS. We can work on details a little later.

Mr. MARSHALL. I know that causes budget concerns.

Senator BAUCUS. Can any of you explain, so we can develop an optimal bill, review the program, how Montana is different from other communities that use the program? Obviously, the major difference is greater distances. Sidney is so far, as Marilyn pointed out. I would guess that other EAS communities are closer to other major markets. If you could help us in developing legislation, flush out some of the differences that we have in the Montana program in comparison to other States.

Mr. MARSHALL. Certainly, isolation is a key factor.

Senator BAUCUS. I have a note here; some of the folks are saying if all of us would speak into the microphones more.

Mr. MARSHALL. One of the early orders upon selection of Big Sky back in 1979 or 1980, there is a quote on that subject, basically compares Montana points to the rest of the points in the program. It concludes they are among the most isolated in the Nation. The only thing comparable is Alaska bush points. A couple cities, Lewistown and Miles City, don't fall in that category, but the others are quite isolated.

Senator BAUCUS. I would like others to explain your view why you think service has improved. Big Sky is able to expand to other markets; that helped to provide service in the eastern part of the State. From your perspective, what are the reasons you see that explain why air service has improved in your part of the State compared with, say, 5, 6 years ago? What are the reasons?

Mr. FERGUSON. I think in addition to what Terry just mentioned, that these continuous meetings that we have held in Billings with all the affected communities and the dialog that has been created, and it hasn't always been complimentary. Terry has been on the chopping block many times, but he and his key staff people attend all of those meetings. I think a lot of these problems have been resolved, and we have seen gradual improvements from the beginning right up through today. In addition to the other reasons, that these communities have kept a good dialog going between one another as well as the carrier.

Senator BAUCUS. How does jet service in our State help or hurt Big Sky serve the State?

Mr. MARSHALL. How does jet service affect——

Senator BAUCUS. Yes. Northwest flying in and out of Great Falls, Missoula and all that, Western—does that help or hurt you?

Mr. MARSHALL. Obviously, for a regional commuter of any type to fulfill its mission, it has to have—by definition, anyway—a fairly substantial amount of jet service, or longer haul service, somewhere to connect to. In our case, that is 65, 75 percent of our mission. It is a question between how much is desirable in running a good intrastate system and from public point of view. I am probably the least capable of answering that.

Senator BAUCUS. How much jet service helps or hurts you? What can you do to compete with Northwest or Western, the major carriers? It would seem to me the more Northwest flies, for example, Billings to Helena to Missoula, the more it is going to hurt Big Sky. Am I right or wrong?

Mr. MARSHALL. It is a matter of degree. Our mission is defined not by what we want it to be, necessarily, because we aren't the 1,000 pound gorilla, as I said earlier today; we sort of have to follow along. We can try to get the things we want, but——

Senator BAUCUS. It would hurt you, wouldn't it, if Northwest were to resume its flights?

Mr. MARSHALL. Sure.

Senator BAUCUS. So you are in some competition with them, not in competition with anyone else in Wolf Point or Glasgow. What is your relationship with Northwest? I see Big Sky planes; it says, "Northwest Air Link." I can't figure out what that means.

Mr. MARSHALL. I think that is one of our industry's problems—a lot of us in the Montana aviation group—it isn't until something like this comes along and there is a lot of public concern that you realize how many people probably don't know about what is going on in the industry. We take it for granted that they understand.

Senator BAUCUS. Here is your chance. What is going on?

Mr. MARSHALL. I may steal some other people's thunder later on in the panel.

Basically, what has happened here is 5 to 7 years later than in other parts of the country—I think if Northwest is to be blamed for anything, it is probably for being slow to act and in providing more service longer to the State, but what has been happening since deregulation are a lot of changes and adjustment in the industry. Fewer carriers, larger carriers, and formation of very close marketing-oriented agreements and partnerships between the large carriers and regional commuters. There are about 55 to 60 regional commuters in the country affiliated with about 13 larger carriers, and those are driving forces—whether I like it or the public likes it or anything else, that is the driving force in the industry, how to serve markets, low end of the scale, smaller cities to the top end.

Senator BAUCUS. What is your connection with Northwest? Are there any financial arrangements between Big Sky and Northwest?

Mr. MARSHALL. You are talking about financial in terms of equity or investment? We have what we call a comprehensive marketing agreement—I suppose similar to what many regional carriers have.

Senator BAUCUS. What is that?

Mr. MARSHALL. A smoke screen. Just kidding. It covers many marketing issues, such as computerized reservation system, acquisition of supplies, fuel, and so forth, scheduling and planning coordination.

Senator BAUCUS. Does it work? Last week I was flying home——

Mr. MARSHALL. Not always.

Senator BAUCUS. I asked the ticket agent—I was in Washington trying to fly to Missoula, and I got a reservation to Billings and transferred to Big Sky; went to Missoula. He said I was on a flight, four-digit number. Said everything is just fine. I said, "Are you sure?" He said, "Yes, it is all right, you're all connected, everything is taken care of." Of course, I tried to get on the plane in Billings, but no reservation record. I have heard other people have the same experience. What is the arrangement between Big Sky and Northwest? What are the basic terms of that agreement?

Mr. MARSHALL. I started to mention before, mostly marketing, fares, planned routes, schedules, marketing systems, computerized reservations, and so forth. Access to supplies, fuel, and so forth that are beneficial, prices; and one of the last aspects is financial assistance. There is some broad language that speaks to favorable rate financing for acquisition of airline services—we have not used that yet. We plan on finding out what that means in the next couple of months.

We have one area of financial commitment—I would say working with Northwest has been a pleasure. We do have to hit them alongside the head with a two-by-four once in a while to get their attention. They are busy. They have increased the frequency of revenue

settlements since we started with the agreement to improve cash flow, and find the startup of additional services, which has been beneficial. They also completed a purchase lease-back of engines and parts to go onward with expansion. We intend to extract some more.

Senator BAUCUS. It sounds to me like you are pretty close to Northwest. Pretty strong ties there?

Mr. MARSHALL. Ask Bill Wren that.

Mr. RABENBERG. I would like to make a comment on this—before air link, if you went in New York or Texas or wherever it may be to get a ticket to Wolf Point, MT, they would say, "We can get you to Billings, but can't get you to Wolf Point. No air service to Wolf Point." Since the hook-up with air link, with Northwest, they have that; so if someone wants to fly to Wolf Point, they won't say, "You have to fly to Billings and drive to Wolf Point." They will say that, "We will get you a ticket to Wolf Point." That helped us in the rural area very much as far as airlines go.

Senator BAUCUS. There are a lot of conflicts here, to be honest with you. One is obviously folks who live in eastern Montana want the very best service for themselves. They don't care as much about folks who live in Great Falls, Missoula, Butte. They are more concerned about air service for their communities.

There is another conflict. One is—perhaps being honest about it—Big Sky is most concerned with Big Sky. Big Sky is more concerned about Big Sky's profit, and is Big Sky concerned about Northwest's or Western's or anyone else's profits? Northwest, obviously, is more concerned about Northwest. The bottom line is that Northwest makes a buck. Bottom line is Big Sky makes a buck. The problem is, in my judgment, that tends to hurt a lot of people in our State, particularly people in the western part of our State. I think it is great that Big Sky is operating and thriving and viable and it is a Montana company. We need more of that. To be honest with you, a lot of people I talk to are very concerned about the loss of jet service to major markets in the western part of the State and, frankly, I think we have to find a way to increase that jet service, but not so much at the expense of Big Sky and Horizon and other commuters so they can no longer stay in business.

The bottom line always is not bucks; the bottom line is service. Any company will thrive and grow the more it pays attention to profits, but also to the service, the very best service to people in the community it serves. Any business will grow and prosper more, in addition to paying attention to profits. So I hope that all of us work together more. We tend to fuss and fight a little too much among ourselves and don't pull together enough to benefit the entire State.

So I encourage all of us to do the best we can. Like you said earlier, Northwest provides much service to Montana. That is a clue you would like Big Sky to provide that service, not Northwest. That is fine for Big Sky. It is not fine for a lot of people in the western part of the State who are losing jet service, and Northwest makes an agreement with you. I will be candid with you. I think Northwest—prejudging the issue here, perhaps—I think Northwest could provide some jet service in the State and still make a handsome rate of return. We will get to that a little later.

Anybody else?

Mr. MARSHALL. I suppose you are essentially right. We know what we are here for. Big Sky, Northwest, profit is an important factor. In my comments I think I am practical enough in looking at traffic flows carried by Northwest, that I don't think anybody close to the industry—the large jet service doesn't make sense.

Second——

Senator BAUCUS. The Republic planes that Northwest acquired are smaller than the Northwest planes and cheaper to operate?

Mr. MARSHALL. In my opinion, no; but I don't think we will settle that here without looking at some numbers. Then we probably won't agree.

The other comment—you commented on emphasis on profitability—although we have changed our routes, I don't think you can possibly conclude our company has emphasized profitability over service in the last 8 years if you look at our P&L results.

Senator BAUCUS. OK. I appreciate that very much.

The next panel is Taylor Middleton, John Wilson, Russ Pankey, John Domenech, and Tag Rittel.

We will start with you, Tag.

STATEMENT OF TAG RITTEL, PRESIDENT, MONTANA OUTFITTERS AND GUIDES ASSOCIATION, WOLF CREEK, MT

Mr. RITTEL. My name is Tag Rittel, and I am president of the Montana Outfitters and Guides Association, Wolf Creek. I represent outfitters, a large group of outfitters from all over the State of Montana. We offer our services to the public from early spring until late fall.

We find most of our guests that come to Montana fly in, and we are very concerned about service, whatnot, that comes into Montana because a lot of our outfitters and whatnot live in remote areas. So the majority of our guests do fly in, and we need the service so we can pick them up. Should be able to pick them up in local towns that we have, not something like Wolf Creek, MT; but look for Missoula, Kalispell, any of these places we have outfitters. Even Havre.

In the springtime a lot of our clients, our fishing clients, they again fly in. Fishing clients are here for 2, maybe 3 days, something like that. If fishing isn't any good, back they go again, and give us a call——

Senator BAUCUS. Where do you operate, basically?

Mr. RITTEL. I am out of Wolf Creek, MT. I am on the east side of the Continental Divide. Clients fly out, and then sometime several months later, they will fly back again, because maybe the fishing has changed, whatnot—becomes better.

During the summer we have clients who come out on occasion and live with us for a while to find out what it is like living in Montana. Again, the air service is vital for people who come out that way. Now, our fall hunting season started; it started in the wilderness area in September. The majority of all of our hunters always fly out. We have to have real good service when moving these hunters out, along with rifles and all the equipment and everything that goes with them. We find that about 90 percent of the

hunters that come to Montana fly here; and also, most all of their meat—trophies and everything—is all flown back to wherever they came from.

Our industry—if we don't get service to a lot of the smaller places, we will be hurt because of the hunter or fisherman or recreationist that can't get into the area. We feel, also, that right now recreation is one of our biggest industries in the State of Montana, and all the rest of our economy looks pretty bleak except recreation, and we sure don't want it to go along with everything else.

We need the service of the airline to keep our recreation and whatnot we are offering going full-bore. We need a real good air service. Thank you.

Senator BAUCUS. Thank you.

John.

STATEMENT OF JOHN S. DOMENECH, PRESIDENT AND CHIEF EXECUTIVE OFFICER, SKYLAND SCIENTIFIC SERVICES, INC., BELGRADE. MT

Mr. DOMENECH. Thank you, Senator, for allowing me, on behalf of Skyland Scientific Services, to participate in this hearing and provide our views on the impact of airline service. My name is John Domenech, and I am the president and chief executive officer.

Skyland incorporated in 1978, and presently has over 40 employees dedicated to providing technical services to the pharmaceutical and medical device industries. Specifically, the services we provide range from validating drug manufacturing processes to laboratory analysis, to food and cosmetic evaluations. We are the classic example of a young, energetic, aggressive growth company in the service sector of American business today.

Skyland is a significant employer in the Bozeman area. Our payroll stands at over $750,000 per year. Skyland depends on airlines because over 70 percent of our business is conducted at client facilities. Most of that travel is to the east and southeastern portions of the United States because that is where the bulk of the pharmaceutical industry is located.

In the technical service sector, response time and cost control are two important criteria. Since the service arena is highly competitive, contract awards are usually given based on "who was there the fastest with the least cost." Our life blood is dependent on airline service and the cost of airline travel.

Lately, we have seen a trend in airlines service which—if left unchecked—may force us to be noncompetitive at some point in time. This is a concern, and we are talking to as many people and organizations as we possibly can to help us maintain airline schedules while attempting to stabilize costs. I commend your efforts, Senator Baucus, to lead and carry the banner on this very important subject.

The subject of maintaining, even increasing, airline schedules while containing costs in the less-dense population centers of the United States within a market-driven, free-enterprise economy is a paradox. In today's world of airline deregulation, how can an airline be expected to continue serving communities at an operating

loss? No chief executive in his or her right mind would allow that situation to continue unless the future looked better and the losses were being sustained for an improved market position.

If new high-technology business starts or tourist visits do not pick up speed, it is likely that chief executives of airlines will see dwindling markets and react accordingly. If new businesses see the airlines pulling out, causing infrastructure collapse, new business executives will react by taking the business elsewhere. Once the downward spiral starts, it will be awfully difficult to stop. That is another reason why you, Senator, are to be applauded—for seeing this problem and acting to stop it before it builds to disastrous proportions.

As you can see from table I, there is much confusion regarding an average ticket price, although they do appear to trend downward. That downward trend, however, is due more to planning and management than it is to actual decreasing air fares. There were trips not taken due to excessive prices when tickets are purchased a few days before the flight.

Table II graphically demonstrates what I mean. In 1983, we purchased 271 airline tickets for an average price of $515.00. In 1986, we will purchase almost 100 fewer tickets, yet pay an average price of $735.00 for each ticket. From 1985 to 1986, we experienced an average ticket price increase of approximately 36 percent. The increase between 1984 and 1986 was a whopping 52 percent.

[Material follows:]

TABLE I AIR FARES TO SELECTED CITIES

	MINNEAPOLIS/ST. PAUL				GREENVILLE, SC				BOSTON			
	Low	Average	High	Today	Low	Average	High	Today	Low	Average	High	Today
1983	$151.00	181.00	181.00		$547.00	726.00	918.00		$525.00	$700.00	$740.00	
1984	$200.00	280.00	530.00		$598.00	770.00	948.00		541.00	816.00	1270.00	
1985	$400.00	550.00	740.00		$750.00	838.00	1127.00		594.00	778.00	856.00	
1986				398.00	$420.00	450.00	480.00	866.00	420.00	660.00	890.00	838.00

	SYRACUSE, NY				NEWARK, NJ			
	Low	Average	High	Today	Low	Average	High	Today
1983	$359.00	602.00	933.00		$387.00	675.00	870.00	
1984	$389.00	777.00	1020.00		$400.00	630.00	826.00	
1985	$298.99	757.00	1216.00	840.00	$525.00	754.00	915.00	
1986					$538.00	882.00	1140.00	818.00

SKYLAND SCIENTIFIC SERVICES, INC.
Gallatin Field, Box 34
Belgrade, Montana 59714

TABLE II HISTORIC DATA: AIRLINE TRAVEL

YEAR	AIRFARE EXPENSE	AVG. # OF TICKETS	AVG. RATE
1983	$139,000	271	$515
1984	$143,800	295	$485
1985	$113,700	210	$540
1986 (est)	$136,000	185	$735

SKYLAND SCIENTIFIC SERVICES, INC.

Gallatin Field, Box 34
Belgrade, Montana 59714

Mr. DOMENECH. Why are there such dramatic increases? Because of airline deregulation, is the rural American business traveler carrying an unfair burden of airline profitability compared to the fair share of the business traveler on more competitive routes?

Just like that chief executive of the airline who is reacting to markets, I, too, must react. But react to what? Airline ticket prices are moving targets. The one thing I can depend on is uncertainty; uncertain service at uncertain prices and, therefore, an uncertain future. Based on our situation, I would say that Skyland has not experienced any of the benefits of increased competition in the airline industry.

Where do we go from here? The solution is not an easy one, and there is probably no one good solution. Re-regulation is an option, but it is one that has been tried. No one really liked regulated airlines, and it is probable that we will not like it in the future, either. Perhaps the answer is in State and Federal tax credits—some formula which is based on a fair share of the rural business traveler contribution to airline profitability, thereby allowing that business to compete in markets miles away from Montana. These tax credits don't have to last forever, but they need to last long enough for Montana to build its infrastructure, thus, in essence, making a market for airline service.

Direct subsidy is another possibility, but subsidies sometimes encourage waste and inefficiencies. I'm still searching for solutions, and it may be that a solution eludes a single person. Collectively, however, we may be able to find solutions. If possible, I would recommend that you and other elected officials appoint a commission of businesses that use airline services. The commission's charter will be to offer concrete recommendations and solutions. The commission need not be a new one; the Governor's Essential Air Service Task Force Charter could be expanded to incorporate the business traveler dilemma.

In closing, governmental solutions to market problems in a free market system will be difficult to nail down. The fact that you refuse to duck this delicate issue is an inspiration to all of us and is certainly indicative of the Montana spirit—one that doesn't quit until it's over. And as you demonstrate, it's not over yet.

Thank you, Senator, for allowing me the opportunity to present testimony on the importance of airline service and prices to a young Montana high-technology company.

Senator BAUCUS. Thank you very much, John. I appreciate that you are in the State; it helps a lot.

Mr. RITTEL. Russ.

STATEMENT OF RUSSELL R. PANKEY, A.A.E., DIRECTOR OF AIRPORTS, MISSOULA COUNTY AIRPORT AUTHORITY, MISSOULA, MT

Mr. PANKEY. Senator, let me compliment you for coming to Great Falls and listening to testimony regarding a subject which we are all very much interested in, and that is airline service to the State. Speaking for the airport community, we certainly appreciate that. I am Russ Pankey, director of airports for Missoula County Airport Authority. I have 30 years' experience in the air-

line industry, both as airport management person and airline marketing and public relations director. Again, we appreciate the opportunity, Senator, to give you our views and feelings on our present and future airline service in Montana.

As I said, I represent an industry in Montana that provides an economic impact for the State of more than $580 million annually. This industry obviously cannot be overlooked in the economic planning and future business that might affect all of us. Aviation is a multibillion dollar contributor to our Nation's economy. The national transportation system would be seriously crippled if for any reason all aircraft were suddenly grounded. Many industries would find their costs greatly increased, their markets greatly restricted, and their customer services drastically reduced.

Today there are approximately 2,600 large airline-type aircraft in use by the major scheduled carriers. They are transporting in excess of 300 million passengers, plus millions of tons of freight, per year. The number of air carrier aircraft will not change significantly in the coming decade, although the new generation aircraft will be more fuel efficient, quieter, and will have an increased seating capacity.

The major scheduled air carriers service only about 500 of the Nation's 12,000-plus airports and landing areas. Here in Montana, the number of airports served by these airlines fluctuates according to economic conditions. During 1986, for example, only 7 of our State's 120 public use airports were served by the major air carriers. Obviously, the commuter airports are in addition to the seven mentioned above. Obviously, we are not talking about the Big Sky/Horizon area, airlines that are serving the smaller communities.

The most important point that I would like to make for the Missoula community at this time is the fact that as of today, a new all time annual passenger boarding record was established at Missoula Airport, and we will enplane approximately 130,000 passengers this year as compared to the old 1983 record of 114,984 passengers. Our traffic to date is running approximately 21 percent over last year. If you will note the chart that I handed you, this is vividly pointed out, that the traffic is up and not down; and to just digress for a moment, Billings has 25.2 percent increase going for the year; Great Falls has 5 to 6 percent increase going; Butte has 5 percent increase going; Kalispell has 234 percent increase going. Helena has a 3.5-percent decrease going at the moment.

[Material follows:]

THE CHAMBER.

POSITION STATEMENT
AIR CARRIER SERVICE
OCTOBER 29, 1986

The Missoula Chamber views air service as an essential element of today's business environment. Communities that do not have adequate air service face a dismal future. The Chamber appreciates the level of air service provided by three major carriers, Western, Northwest and soon Continental. Missoula is also fortunate to have two commuter airlines, Big Sky and Horizon. Missoula air service deserves positive comments and community appreciation.

The Chamber was recently made aware of two specific needs that are not currently being met. The most important of these is travel within the state, specifically Billings. The second is major air carrier service to destinations west of Missoula, specifically Seattle.

The Missoula business community has many ties to the Billings business community and travel between the cities is very heavy. The Chamber sees the dramatic reduction in the number of seats available for travel to Billings as a chief source of the current frustration concerning air service. The Chamber has travel schedules for a number of Missoula businesses including the U.S.Forest Service. These records indicate a steady demand for service to Billings, and also the Seattle area.

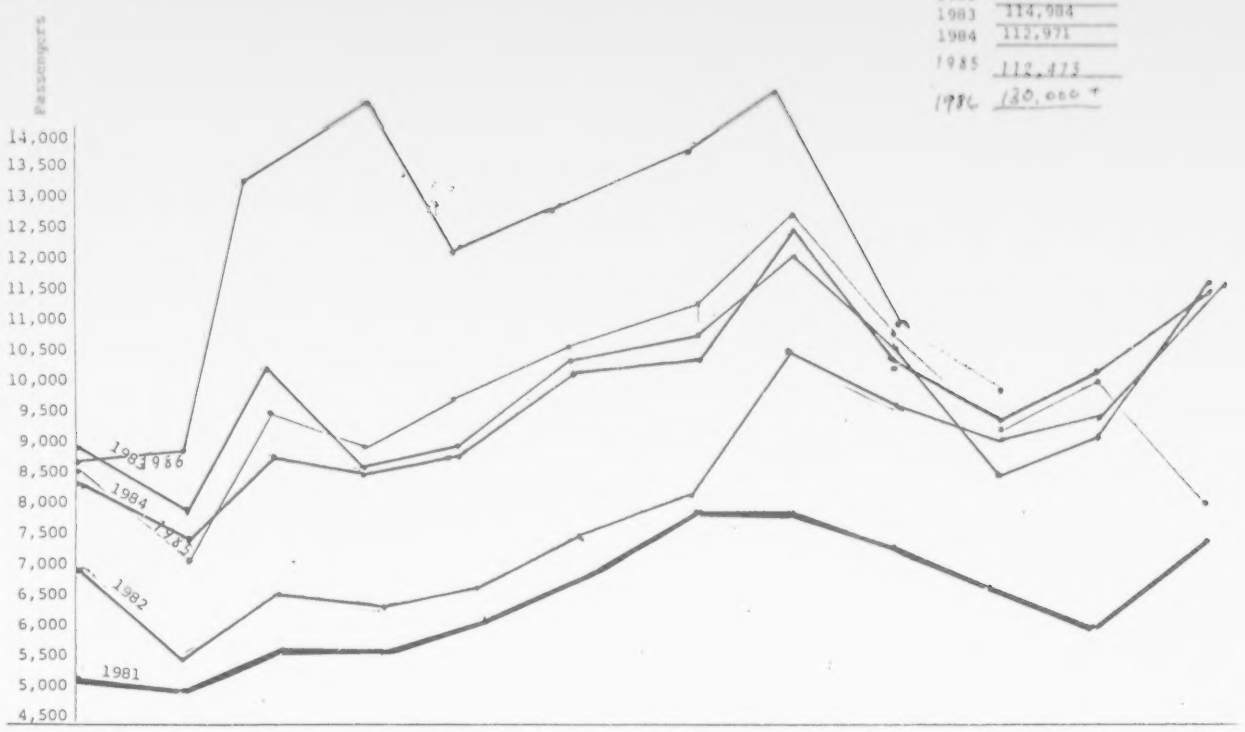
The Chamber stands ready to provide any appropriate assistance to current or future air carriers that can address this specific need. The Chamber believes that this is a real and urgent need for the Missoula business community.

Missoula Area Chamber of Commerce · P.O. Box 7577 · Missoula, Montana 59807 · (406) 543-6623

MISSOULA COUNTY AIRPORT AUTHORITY

Enplaned Airline Passengers

1981	81,866
1982	99,730
1983	114,984
1984	112,971
1985	112,473
1986	130,000 ±



86 16,331

* Record Month August, ~~1979~~ with ~~17,275~~ Enplaned Passengers.

* Record Year, 1983 Enplaned 114,984 Passengers

MISSOULA COUNTY AIRPORT AUTHORITY OPERATIONS REPORT

TOWER OPERATIONS	MONTH TOTAL		INCR. (DECR.)	Y-T-D TOTAL		INCR. (DECR.)
	1985	1986		1985	1986	
JANUARY	3,868	2,958	(23.53%)	3,868	2,958	(23.53%)
FEBRUARY	3,896	2,258	(42.04%)	7,764	5,216	(32.82%)
MARCH	5,434	4,752	(12.55%)	13,198	9,968	(24.47%)
APRIL	5,427	4,959	(8.62%)	18,625	14,927	(19.86%)
MAY	6,502	4,742	(27.07%)	25,127	19,669	(21.72%)
JUNE	5,662	6,064	7.10%	30,789	25,733	(16.42%)
JULY	10,161	5,839	(42.54%)	40,950	31,572	(22.90%)
AUGUST	7,624	7,852	2.99%	48,574	39,424	(18.84%)
SEPTEMBER	4,843	4,642	(4.15%)	53,417	44,066	(17.51%)
OCTOBER	5,175			58,592		
NOVEMBER	3,152			61,744		
DECEMBER	1,952			63,696		
	63,696			63,969		

ENPLANED PASSENGERS	1985	1986	INCR. (DECR.)	1985	1986	INCR. (DECR.)
JANUARY	8,352	8,434	.98%	8,352	8,434	.98%
FEBRUARY	7,253	8,663	19.44%	15,605	17,097	9.56%
MARCH	9,452	13,320	40.92%	25,057	30,417	21.39%
APRIL	8,880	11,297	27.22%	33,937	41,714	22.92%
MAY	9,645	11,812	22.47%	43,582	53,526	22.82%
JUNE	10,766	12,735	18.29%	54,348	66,261	21.92%
JULY	10,938	13,758	25.78%	65,286	80,019	22.57%
AUGUST	12,371	15,337	23.98%	77,657	95,356	22.79%
SEPTEMBER	9,469	10,798	14.04%	87,126	106,154	21.84%
OCTOBER	8,879			96,005		
NOVEMBER	9,231			105,236		
DECEMBER	7,237			112,473		
	112,473			112,473		

*record month-- August, 1986 enplaned 15,337 passengers
*record year--1983 enplaned 114,984 passengers

NORTHWEST AIRLINES

PASSENGERS

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY	3,424	3,397	4,104	3,671
FEBRUARY	3,060	2,750	3,162	2,900
MARCH	3,803	4,790	4,117	5,197
APRIL	3,676	4,081	3,728	4,394
MAY	3,522	4,657	3,910	4,811
JUNE	3,693	3,360	3,771	3,467
JULY	3,787	3,940	4,240	3,867
AUGUST	4,222	4,700	4,230	4,243
SEPTEMBER	3,709	3,648	3,827	3,424
OCTOBER	3,633		3,780	
NOVEMBER	4,078		4,313	
DECEMBER	2,952		3,311	
	43,559		46,493	

FREIGHT

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY	8,715	5,489	34,050	27,062
FEBRUARY	4,455	5,200	34,009	22,116
MARCH	7,206	6,491	24,596	23,404
APRIL	5,576	3,401	44,564	33,217
MAY	7,548	10,943	42,751	30,504
JUNE	6,624	13,002	35,145	14,800
JULY	7,387	7,032	33,493	22,120
AUGUST	8,449	2,684	37,400	23,494
SEPTEMBER	7,300	6,095	34,072	20,165
OCTOBER	8,921		49,948	
NOVEMBER	7,610		30,961	
DECEMBER	4,415		33,699	
	84,206		424,778	

MAIL

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY	14,622	16,687	32,750	35,191
FEBRUARY	8,509	12,986	21,834	30,664
MARCH	8,198	21,512	24,109	32,514
APRIL	10,955	22,309	26,824	34,648
MAY	13,684	25,236	25,088	37,739
JUNE	14,367	11,934	39,042	9,473
JULY	19,312	16,682	39,249	3,027
AUGUST	26,922	16,813	43,239	2,057
SEPTEMBER	16,118	16,765	44,613	3,746
OCTOBER	20,651		40,678	
NOVEMBER	20,126		53,966	
DECEMBER	41,801		48,682	
	215,265		440,074	

WESTERN AIRLINES

PASSENGERS

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY	2,846	2,825	2,769	3,546
FEBRUARY	2,440	2,650	2,276	2,320
MARCH	2,990	3,310	3,055	3,324
APRIL	2,728	2,742	2,897	2,757
MAY	3,302	3,473	3,614	3,498
JUNE	3,994	4,350	3,946	4,493
JULY	3,468	4,427	3,761	4,974
AUGUST	3,834	5,600	3,761	5,343
SEPTEMBER	2,907	5,132	2,815	4,583
OCTOBER	2,882		2,652	
NOVEMBER	2,902		2,749	
DECEMBER	2,481		2,306	
	36,774		36,601	

FREIGHT

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY	6,942	6,648	11,659	12,346
FEBRUARY	5,933	2,734	11,022	15,217
MARCH	6,984	2,362	8,664	15,357
APRIL	8,469	6,951	15,163	20,752
MAY	9,722	10,207	13,153	20,947
JUNE	11,056	4,583	15,942	21,779
JULY	1,673	6,224	32,946	22,477
AUGUST	5,713	14,194	25,539	25,953
SEPTEMBER	6,504	11,596	12,523	26,566
OCTOBER	11,624		12,390	
NOVEMBER	9,140		13,359	
DECEMBER	5,386		10,998	
	89,146		183,358	

MAIL

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY	38,984	41,672	5,524	4,919
FEBRUARY	40,493	31,570	4,278	5,884
MARCH	45,072	33,298	4,525	6,073
APRIL	43,028	32,253	3,596	6,509
MAY	38,231	29,457	6,286	4,408
JUNE	39,792	30,269	5,745	7,503
JULY	27,753	34,456	4,520	6,955
AUGUST	22,810	30,958	4,891	7,281
SEPTEMBER	26,249	31,531	5,248	5,752
OCTOBER	32,213		[illegible]	
NOVEMBER	29,881		[illegible]	
DECEMBER	34,204		6,805	
	418,710		61,484	

FRONTIER AIRLINES

PASSENGERS

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY	2,082	2,212	1,927	1,942
FEBRUARY	1,753	3,263	1,424	2,802
MARCH	2,659	5,220	2,168	4,557
APRIL	2,476	4,474	2,074	4,418
MAY	2,821	3,682	2,521	4,035
JUNE	3,079	4,469	2,720	4,210
JULY	3,683	4,605	3,388	4,758
*AUGUST	4,315	3,739	3,826	2,510
SEPTEMBER	2,853	-0-	2,544	-0-
OCTOBER	2,364		2,315	
NOVEMBER	2,251		2,010	
DECEMBER	1,804		1,566	
	32,140		28,483	

FREIGHT

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY	9,992	10,423	10,694	16,396
FEBRUARY	6,769	7,487	6,246	20,303
MARCH	9,750	5,170	11,080	24,670
APRIL	11,307	6,210	11,873	13,577
MAY	11,709	8,379	11,313	10,692
JUNE	10,991	8,932	41,175	11,040
JULY	16,009	6,736	42,852	15,896
*AUGUST	12,333	2,759	43,588	10,201
SEPTEMBER	10,126	-0-	36,047	-0-
OCTOBER	11,696		47,498	
NOVEMBER	9,207		34,097	
DECEMBER	9,028		30,379	
	128,917		326,842	

MAIL

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY	-0-	-0-	-0-	-0-
FEBRUARY	-0-	-0-	-0-	-0-
MARCH	-0-	-0-	-0-	-0-
APRIL	-0-	-0-	-0-	-0-
MAY	-0-	-0-	-0-	-0-
JUNE	-0-	-0-	-0-	-0-
JULY	-0-	-0-	-0-	-0-
AUGUST	-0-	-0-	-0-	-0-
SEPTEMBER	-0-	-0-	-0-	-0-
OCTOBER	-0-		-0-	
NOVEMBER	-0-		-0-	
DECEMBER	-0-		-0-	

*Discontinued service August 24, 1986

BIG SKY AIRLINES

	PASSENGERS				FREIGHT			
	ENPLANED		DEPLANED		ENPLANED		DEPLANED	
	1985	1986	1985	1986	1985	1986	1985	1986
JANUARY								
FEBUARY								
MARCH								
APRIL								
MAY								
JUNE		556		643		358		778
JULY		786		925		297		983
AUGUST		1,057		1,128		700		7,114
SEPTEMBER		1,378		1,391		794		3,692
OCTOBER								
NOVEMBER								
DECEMBER								

MAIL

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY				
FEBRUARY				
MARCH				
APRIL				
MAY				
JUNE		70		443
JULY		-0-		1,000
AUGUST		-0-		733
SEPTEMBER		122		241
OCTOBER				
NOVEMBER				
DECEMBER				

HORIZON AIR

	PASSENGERS				FREIGHT			
	ENPLANED		DEPLANED		ENPLANED		DEPLANED	
	1985	1986	1985	1986	1985	1986	1985	1986
JANUARY								
FEBRUARY								
MARCH								
APRIL								
MAY								
JUNE								
JULY								
AUGUST		241		166		62		3,318
SEPTEMBER		640		514		1,419		13,710
OCTOBER								
NOVEMBER								
DECEMBER								

MAIL

	ENPLANED		DEPLANED	
	1985	1986	1985	1986
JANUARY				
FEBRUARY				
MARCH				
APRIL				
MAY				
JUNE				
JULY				
AUGUST		-0-		-0-
SEPTEMBER		-0-		-0-
OCTOBER				
NOVEMBER				
DECEMBER				

Mr. PANKEY. So you can see——

Senator BAUCUS. Over the prior year, 1986 compared to 1985?

Mr. PANKEY. Yes. Within those are several records being set. I am saying total traffic, regardless of how split amongst the carriers. That is what the community is producing, is those total numbers. Total airline traffic in 1981 at Missoula, for example, was 162,000 passengers, and in 1986 we will be over 255,000 passengers.

The point I am making here is that traffic at Missoula is at an alltime high and has been all during the year 1986, and we experienced for the first time ever, as a result of this traffic, a schedule change by Northwest Airlines in early summer wherein for the first time in 40 years Missoula was given nonstop service from Missoula to Seattle, WA by Northwest Airlines.

Senator BAUCUS. When was that?

Mr. PANKEY. Summer of 1986, when they made their arrangement with Big Sky to serve Spokane and Billings.

It is my understanding that the load factors were very good on that nonstop trip from Missoula to Seattle, for example. And then we experienced another major change on October 1 wherein our total westbound service was discontinued by Northwest Airlines. As a result, we have no westbound service out of Missoula by Northwest. Obviously, it is not because of lack of traffic; other decisions dictated that schedule. I want it perfectly clear that it was not because there was lack of traffic or business. We have since received improvements in service by Western Airlines, and effective in December 1986, we will have 345 seats daily via Western Airlines to Salt Lake City. This was an excellent and positive move to show their position and what they think of Missoula.

We will also have Continental Airlines replacing Frontier Airlines to Denver effective December 1, and will continue to be served to the Minneapolis hub eastbound by Northwest Airlines, reverting to a 727 on two flights instead of the DC-9; and Horizon Air will be operating Dash-8 service, which is a 37-passenger prop jet to Spokane and Seattle effective November 9, 1986. Yesterday, Big Sky Airlines announced that they will be operating 13 daily departures from Missoula serving Spokane and Billings effective November 15.

Why is all this happening? The obvious answer is, there is traffic available. We appreciate the excellent service that we presently have and would like to personally thank those carriers that are giving us that service. However, we have to be concerned about the future, and since we are doing everything we possibly can to market Missoula's airport as the regional airport serving western Montana, we need to constantly work to improve our service.

The chamber of commerce will be proposing—and have been for several days—a statement of need and actual records of transportation by Missoula people, and will furnish that to your office within the next day or two, which will shore up what I have been telling you.

It is our intention to work with all of the airlines serving our community and any new carriers looking at us; and in view of these facts, we would ask Northwest Airlines to again take another look at our published statistics as they relate to Missoula-Bozeman-Helena-Great Falls westbound to Spokane and Seattle.

I thank you for your attention.
Senator BAUCUS. Thank you.
John.

STATEMENT OF JOHN WILSON, ADMINISTRATOR, MONTANA TOURISM PROMOTION DIVISION, MONTANA DEPARTMENT OF COMMERCE

Mr. WILSON. I am John Wilson, administrator, Montana Tourism Promotion Division, Montana Department of Commerce. We are people who promote tourism for Montana, the State of Montana.

Travel and tourism are a vital and important element of Montana's economy, as you know. Back in 1983 was the last time we took an exact count, but at that time direct expenditures for travel and tourism in Montana totaled over $814 million, with over half of that coming from out-of-State residents, nonresidents coming into the State. That $814 million fueled over 20,000 direct jobs inside the State of Montana. These figures have no multipliers attached to them. Those are direct expenditures and direct jobs. Since that time, since 1983, we estimate that the travel industry has grown at an annual inflation-adjusted rate of about 3 percent. So we think that we are close to $900 million in gross expenditures in this State with regard to the travel and tourism industry. As the Montana economy relies more heavily on travel and tourism, so does the tourism industry rely more heavily upon competitively-priced—and I stress that—competitively-priced and reliably-scheduled airline service.

Here are some examples of Montana's reliance on air service. It would be very difficult for us to compete in the ski market with our destination resorts without good air service. If we don't have competitive air service and reliable air service we can count on, we can't get ski groups or individual skiers. The same is true for domestic and international sightseeing tour groups; and although a trend is toward what is called intermode traffic—they fly in and take a bus once they are on the ground; that is a growing part of the tour market—we are seeing Montana having about a $65 million a year tour business, and that is just motor coach traffic alone. There are thousands of hunting and fishing parties that come into this State that rely upon air service. There are people who come in for what we call "fly-drive vacations"—fly in, rent a car, go to Glacier, Yellowstone, those kinds of things. And Montana increasingly is becoming a part of at least regional, and potentially national/international, convention markets. We are bringing people in to hold their conventions in the Rocky Mountains, particularly in Montana. Those are the kinds of people who are dependent upon competitively-priced, reliable air service in the tourism industry. It is essential for them, in my opinion.

Up until Frontier Airlines ceased service and Northwest instituted the new schedule that Russ talked about, Montana has really been in relatively good shape, both price perspective as well as service perspective, perhaps except in the communities of Butte and Kalispell. Kalispell for a long time had been on the short end of the air service stick. Air service dramatically changed in Montana the last 4 months. I think service has declined and prices

have increased in the last 4 months. Whether that is because of deregulation, I guess that is a matter of interpretation. Frontier's demise has been the loss of hundreds of seats weekly into Denver, if not thousands of seats. As Russ said, and I think Taylor will follow me, Continental is probably going to move that equipment back into the Montana market. How and when, I guess, is uncertain right now. Northwest's schedule change has been, at least from the perspective of the tourism industry, that we will lose tour groups from the Orient to Montana cities, to the cities other than Billings. For example, this year over 3,000 Taiwanese came into Montana via Bozeman on Northwest, and they travel in groups of 30 to 40. Normally, that is the size of the group. With the schedules we have today, looking at Seattle as the gateway to the Orient, those groups can't travel to Bozeman, MT. It just can't happen. They would have to split and go on three, four different flights. We have lost ski groups from the Pacific Northwest, specifically Seattle and Portland, as well as lost individual skiers from the West. Again, all things are changing. Those are minimums of impact to the travel industry from changes in schedules.

The question today is what will happen in the future under deregulation. I guess I came to the exact same conclusion that John did. The answer is clear: nobody knows. There is no answer, and that uncertainty prevails. I guess that is one of the biggest problems; uncertainty is the name of the game right now in terms of air service in Montana. I am not certain that even the airlines know where they are headed in the future, because they are playing off one another.

It is my opinion, and that of many airlines and airline analysts, that deregulation is heading toward consolidation of airlines. We have seen that in the mergers with Northwest, Western, and Delta, Republic, et cetera, and so forth that consolidation. And there is what I see as a cutting of turf and extending themselves into markets and saying, "This is my turf; this is going to be my turf." It is toward market control of a few major airlines. We will see major airlines firmed up by interline agreements with the regional commuters. As Terry Marshall said, that is the way it is headed. That is what we see.

Senator BAUCUS. What is this?

Mr. WILSON. See a few major airlines in the United States that will cut up turf and firm up a hold on the turf by interline agreements with regional commuters. I think that is the way it is headed. If that analysis is correct, and I believe it is, then Montana has really two scenarios in terms of jet service, air service under deregulation, and I will share with you that these are "what if" these things happen.

The No. 1 scenario would be that we see two, three major carriers, maybe one out of Denver and one out of Salt Lake, one on an east-west route through Montana supported by that regional or commuter carrier. That would provide, I think, adequate service—adequate is the key word here—to Montana. However, I think the service would be priced high and that there will be consumer resistance, although psychological, toward the small planes. I'm talking from the tourism perspective. It is unlikely we will see competition into those markets in Montana, because Montana itself is

really too small. If you have three, four major airlines in the United States, they won't go head to head in Montana. There are more important markets for them to go head to head on than Montana.

If this scenario comes to pass, it will put Montana at a competitive disadvantage in many areas of the tourism sector. The skiing, guest ranges, group tours—it would inhibit all travel to Montana; it will dampen investments in resorts, dude ranches, convention facilities, as well as potentially stagnate growth in certain sectors of Montana travel. I hope I am wrong about that. I hope that scenario doesn't come to pass.

So, No. 2 scenario, another way it would come down—the two, three airlines that would serve Montana would join with the State and with other private businesses to dramatically increase promotion of Montana in a joint manner. This would create what I would call a strong consumer demand for flights to Montana, just as Alaska has been very successful in doing. It would allow for frequent service; it would allow for large planes and, I think potentially, reasonably priced flights. This scenario would put Montana at a competitive advantage and would spur investment and increase visitor expenditures in the State. I hope I am right about that scenario. I hope that comes to pass.

In closing, for now the future is uncertain. We really don't know what to do from one day to the next. The prospects for good service at a reasonable price, I think, are mixed. I really don't think it will show its hand right now, whether we will get it or not. That certainly doesn't help those people in the tourism business who are relying upon competitively priced air service to the State.

Senator BAUCUS. Thank you.

Taylor.

STATEMENT OF TAYLOR MIDDLETON, DIRECTOR OF MARKETING, BIG SKY RESORT

Mr. MIDDLETON. My name is Taylor Middleton. I am director of Marketing for Big Sky Resort. I am one of the 20,000 people, at least, employed in this State by tourism. If we didn't have tourists coming to the State from all over the Nation, I am one of the ones that wouldn't be here.

Big Sky and Summer Resort, as many resorts, guest ranches, outfitters in Montana, depends on tourists from outside of our State to operate profitably. A critical factor in having a marketable product is having adequate transportation from the tourist's home to Montana. In my opinion, since airline deregulation, airline service into Bozeman has improved with more carriers serving more cities more frequently and usually with better price. Competition for the national tourism dollar is intense. Quality, attractiveness, overall vacation package price, convenience in getting to destination are key competitive factors. The consumer is going to ask these questions when making his decision on his vacation alternatives. In other words, when he is looking at Big Sky, MT or Park City, UT, he is going to ask these questions as he is deciding if he is going to come to one of these resorts. Those questions—are there a variety of carriers that fly that route? Are there a variety of departures?

Can I leave at 8 o'clock in the morning, 5 o'clock in the afternoon? Do competitive fares exist and are there direct flights or flights that have very few stops?

Fortunately, people in the Bozeman area and ourselves have been able to answer these questions more positively recently; more positively than ever before. A review of the air service in Bozeman finds we are currently serviced by Northwest Orient, as we have been since 1948. Frontier serviced Bozeman in 1967 until this year. Western is now Bozeman's strongest carrier; it arrived in 1982. It is unlikely Western would have been able to gain access to the Bozeman market during the regulated period. Continental did announce today they are flying into Bozeman as well as Missoula beginning November 20. With Continental service we expect 11 arrivals and 11 departures daily connecting to Minneapolis, Salt Lake City, Denver. During the tourist season, summer and winter, we expect more flights. In most cases, fares are lower today than just a few years ago; that is, if you can take advantage of the super saver fares. The changing airline industry has shaken up Bozeman very much. It has been inconsistent lately. However, the overall effect right now as of November 20 is better. I will thrown in some numbers at this point.

Projected airline boardings for Bozeman's Gallatin Field for 1986 are 100,000 people. Ten years ago, 1976, it was about half that, 51,000. We think that about 70 percent of those people are tourists. As the national airline industry continues to adjust to deregulation, we see positive effect. For instance, Northwest's merger with Republic added 25 new cities to their system and our draw area. These cities previously required multiple carrier connections to get to Montana. You would have to fly Republic, Northwest; more complicated that way. Additionally, these new cities have Northwest Orient sales representatives selling the Montana product. When you consider additional new cities to be opened by the Delta-Western merger and by Continental's new service, our potential market area has been greatly expanded. There is the additional competitive of America's largest carriers competing in the same markets for the Montana-destined traveler.

In the Atlanta market in the next 6 months, we can expect Northwest and Western—and probably Continental—to all be competing to bring people to Montana. That will keep prices down. Big Sky Resort competes with Rocky Mountain destination resorts. These resorts naturally have a transportation advantage because the airports happen to be hub cities—Denver, Salt Lake City. A great many cities throughout the United States have direct flights to Denver and Salt Lake. It is always cheaper to fly to these cities.

It behooves us to continually strive to keep flights into Bozeman as competitively close to other Rocky Mountain destinations as possible. We remind our carriers frequently of this and negotiate with our carriers directly, reminding them of the competitive factor and encouraging them to keep their prices down and scheduling up.

All is not perfect now in Bozeman, however. We have recently lost Northwest Orient jet service to and from the west coast, as many people pointed out. Northwest Orient replaced this with Big Sky Airlines Metroliner service which operates as a Northwest Airlines carrier. We protested this change directly to Northwest, that

westerly flights with full-sized jets are essential. We will continue to request reinstatement of these flights. We feel that Big Sky Airlines service, as currently in Bozeman, will have a negative effect on tourism travel because the planes aren't big enough. Metroliners cannot move the volume of travelers necessary to support the tourism industry around Bozeman. The Big Sky Resort tourism industry supported through Gallatin Field—Big Sky Resort feels that Bozeman has the ability to support several air carriers profitably.

We must have quality airline service which meets the demand of the consumer and competition. If we can continue to accomplish this with deregulation, we prefer it.

Thank you.

Senator BAUCUS. Thank you very much.

Tag, when you were speaking—do you think service now is better or worse or about the same as 5 or 6 years ago?

Mr. RITTEL. Being in the hunting business, guide business, we find that probably the thing we have more problem with than anything is handling of the weapons—whatnot—the guns they bring out here to hunt with. A lot of times we find gun cases have been smashed, and we find that our hunters are a little shook up about this. We feel it should be something they should take better care of.

For example, I had two hunters that came in from Billings on a small flight, came from Billings to Helena. When they got off the plane, both were shook up. It was an 18-passenger; they booked on a big plane. They were real shook up about the handling of guns and stuff they had brought with them. The first thing they did is go out and target practice and get the guns sighted-in again, which were kind of off.

Some of the things that happen—one example of something that happened to us is during the summer, we have summer guests from back East that came in. One of the handbags broke open; the lady lost one of her hiking boots. This is a disaster when you are planning on hiking across the mountains. We came back to the airport to find the shoe; we couldn't find the shoe. About a week ago I got a letter from her, and she said she finally found her shoe. She is ready to come back next year and go hiking.

Senator BAUCUS. Apart from the banged-up guns and lost hiking boot, generally, do you find service better, the same, or worse, or about the same?

Mr. RITTEL. To me it seems like it is about the same as it always has been. Anytime you have got to handle guns, you can't put them in the cockpit like we used to. People are a little bit shook up about the handling of that. Other than that, they get along fine.

Senator BAUCUS. Is it because of deregulation or whatever that your business conditions aren't as good as perhaps they were, or do you think perhaps you are at a competitive disadvantage compared to other companies doing the same kind of business as you? In listening to Taylor, maybe it is a little better now. Maybe about the same. You all live in the same community. Better for one, worse for another? Who wants to take a crack first?

Mr. DOMENECH. I will. I think part of the reason behind that is that a tourist, if they are able to plan well enough in the future,

can take advantage of some of the very, very low rates. If they are able and willing to schedule a flight now for in January or February, then they can take advantage of the very limited number of Q fares, very low, rock bottom rate. The problem that we face—and it is described, really, in table I—again, the longer we are able to plan in the future, the lower our price is going to be. Again, there are only a certain number of seats on a 120-passenger aircraft that you are able to take advantage of. If we can do that, we can see that in flying from Bozeman and Boston, prices that we have paid, as low as $420, with average of $660—but for the same flight we have also paid as high as $890. What that is, again, in the service industry, you have to get there right now. If we are competing against a firm, say, in Pennsylvania or North Carolina or Virginia, they are going to get there quicker than we are and at a much lower rate and that is part of the problem, too. Right now, today, if I had to walk down to Bozeman Gallatin Field Airport and go to Boston, it would cost me $838. That is a lot of money—especially when trying to be competitive.

Senator BAUCUS. Theoretically, your competitor is faced with deregulation, too.

Mr. DOMENECH. That is true, but he is flying from Washington, DC, to the Philadelphia market.

Senator BAUCUS. Your point is because he is closer, inability of you to take advantage of discount fares—because both of you are businessmen, because he is closer, it hurts you much more than it hurts him?

Mr. DOMENECH. That is exactly right.

Senator BAUCUS. I know what you mean. I have the same problem with that. Nothing worse than Senate schedules. I try to figure out when I'm coming home. I set a date, Friday or whatever date, to come home. Since I cannot plan, with any certainty, I am always paying—9 times out of 10—the highest fares to come home; 12 years I have been in public service. On the average, roughly, I now pay—round trip—as high as $800, $900 to Great Falls round trip. I can remember 12 years ago, that would be $200, $250. It has gone up that much. Raised the dickens out of our budget and so forth. I don't think it has hurt others in the Senate and House as much as it hurt us in the Western States. Those that cannot plan in advance are hurt much more than people who can.

Mr. DOMENECH. I would like to point out that flying from Bozeman to Newark, we paid as high as $1,140 for that particular flight. Flying from Bozeman to Syracuse in 1985, we paid as high as $1,200, and that is just to amplify the point you are making in terms of scheduling—the other way that we are hurt is if we want to go anywhere to our marketplace on the east coast, it will take us a minimum of 10 hours. It usually takes anywhere from 12 to 16 hours.

As the schedules are reduced or cut back, then we can start looking at the average length of time going back East to being on a 12-, 14-, 16-hour day. What makes it difficult is if you have to be at a client's site as soon as possible, you leave at 8 o'clock in the morning; your competitors leave at 8. Your competitor is there by noon, and we get there the next day.

Senator BAUCUS. John, the chicken-and-egg phenomena—the more good service, the more likely a business will thrive and prosper in the Gallatin area and vice versa. But because the airline doesn't come business isn't there—if we want to boost development, in your judgment, how do we address that positively?

Mr. DOMENECH. As we look back in history and examine from an historical perspective how the United States was able to increase their farm products, is that we developed many years ago a very good highway road system with which we are able—the rural road system, to get the farm products from the farm into the big city marketplaces and there to be distributed where it needs to go. We are essentially in the same boat because prior to the very good road system, the economy in the United States was pretty stable; it wasn't really growing by leaps and bounds. Farmers were unable to bring their produce to the marketplace in quick fashion. And as a result, the growth really wasn't there. Once we were able to develop that system and farmers were able to do that, everything started expanding. We are really in the same boat.

Now, as we look forward to the future as to what the economy of the United States is going to be, and this is up for a judgment call as to whether I am right or wrong, but it looks to me like we are in an information service processing future, and in a service industry it is the same thing over again. The product is a little bit different because you are selling brain power as opposed to an ear of corn or something like that. But the issue is still the same. You have got to be able to get your brain power to a client who needs it the quickest.

Senator BAUCUS. One of your proposals was about tax credit, that is a partial solution.

Mr. DOMENECH. It is something that we can think about and that is, perhaps from the State perspective of business taxation, or even from the Federal perspective of taxation. In other words, what percentage of a business' revenue is going into trying to expand that business, based on hardships it has presently seen? For example, if air fares represent, say, 10 percent of the total revenue budget per year, and yet I can expand by bringing on 5 or 6 more people, yet my air fare is going to increase, I have got some risk there that is very hard, sometimes, to just swallow and bring 10 more people on board. So if there is something to do we can look back and say, "OK, this company is leading the way in expansion, which means employment, which means bigger and better growth for everyone involved," then perhaps they should be given a little different sort of treatment.

Senator BAUCUS. Russ, why did traffic go up in Missoula in 1986? What explains that?

Mr. PANKEY. I will give you the scenario in 1981. In 1981, we had two carriers serving Missoula—Northwest and Frontier. Both were profitable companies and doing very well. Very pleased with that. Western Airlines announced service to Missoula. I immediately was told that somebody is going to go out of business, that we can't support three carriers.

Senator BAUCUS. When did Western announce?

Mr. PANKEY. In 1982. We can only support two carriers. I said we could support three. Western came to town and, of course, before

that, fares do dictate business. Northwest had no competition on fare structure; they could charge $1,000 to New York, and you had to pay it. There was no competition on the fare structure like there may have been in New York, Washington, and other places. The average fare was so much higher than any other—or a lot of other points out of Montana and out of Missoula. Western came to town, announced $99 round-trip fares anywhere on their system for 30 days. That got the little waitress out of the restaurant from New York who would never go back there and couldn't buy a ticket. It stimulated the market.

So we went from 182,000 passengers to 198,000 passengers, and all three carriers were healthy as time went on. In 1986, again, the same thing happened; more aggressive marketing with more service by Western, more service by Frontier. The People's Express purchase of Frontier in March—we had $69, $29 fares, so the traffic set a record, went plumb through the roof again. Everybody out there flying that had never flown before, new market. Then as our traffic started setting these records, then Big Sky came to town; Horizon jumped right on top of them, and today we have five carriers instead of three.

Senator BAUCUS. Why isn't service better, then? Five sounds better than three.

Mr. PANKEY. Why isn't service better? That is the carrier's decision as to what schedule they run. We have no control over that.

Senator BAUCUS. Is service better now in Missoula?

Mr. PANKEY. Service is definitely better today than it was. Why is it better? Because traffic is better.

Senator BAUCUS. Is it better in all areas?

Mr. PANKEY. No. It is not as good to Billings as far as having a jet aircraft. Seats aren't available. People are complaining; they can't get a seat. We still need jet service to Billings from Missoula.

Senator BAUCUS. When we ask Northwest that question, we get that big sky provider a good range of flights. Should they fly or not?

Mr. PANKEY. We look to Continental or Western or look to another carrier. Here is our market to Billings. It is not a commuter market. Sixteen percent of our annual boardings. We need a large aircraft.

Senator BAUCUS. I will read a letter. It is from a person from Missoula who wrote on the subject and asked that this letter be part of the record:

Dear Senator Baucus: We are delighted to learn that you are conducting hearings on the current status of airline service in Montana. As you may imagine, with 23 active lawyers in our office our need for adequate, reasonably-priced air service is substantial. On behalf of all of us at Garlington, Lohn & Robinson, let me say that the present air service to and from Missoula is deplorable.

Two recent events have created this situation. First, Frontier Airlines went bankrupt, leaving Western Airlines as Missoula's only direct link to southern destinations. Then shortly thereafter, Northwest Airlines withdrew all westbound and virtually all eastbound service from Missoula. This action is bewildering. Northwest has served this community for many years as our only east-west carrier; and just before the reduction in service, the number of Northwest passengers boarding in Missoula each day was substantial. In place of Northwest jet service, we have been given 16-passenger prop jet service by Horizon and Big Sky Airlines. This is completely inadequate. Because of the extremely limited seating capacity, one must reserve space to Billings or Spokane three weeks in advance. As you know, in our pro-

fession such advance notice of our travel needs is a luxury we seldom enjoy. Even if we can manage to obtain a reservation on one of the commuter lines, the baggage limitations are such that we may have to choose between taking our files or our clothes, but not both. If there is not room for baggage on a small plane, the airlines say they will put it on the next available flight. Imagine how well that works when you transfer in Spokane or Billings for the next leg of your trip.

The loss of Frontier and the abandonment of Missoula by Northwest has not gone unnoticed by Western. It has not increased its service. Instead, it has raised the practice of overbooking to a fine art, and has virtually eliminated previous discount fare packages. The results are absurd. This past Wednesday night I was part of the tired masses trying to board the evening Western flight from Salt Lake to Missoula. The scene at the gate resembled the Battle of the Little Big Horn, as irate, overbooked passengers encircled the beleaguered boarding agent and threatened violence to him and one another.

Another example of our problem occurred a couple of weeks ago when one of our partners learned late in the week that he was required to be in Billings on Monday. He was informed that in order to fly from Missoula to Billings on either Big Sky or Horizon, he would have to leave the preceding Friday. His only option was to take Western to Salt Lake City and then take Western back from Salt Lake to Billings. The round trip fare would be $776. At the same time that Western wanted $776 to go from Missoula to Billings and back, it was selling round-trip tickets from Missoula to Honolulu for $558. A cynic might conclude that this is Western's manner of exploiting Missoulians who have no alternative service available.

You know better than we that Montana's economy needs help. The current deficient airline service is exacerbating the problem enormously. Can you imagine a new business deciding to locate in Missoula while there is no adequate air service available? We are advocates of free enterprise; but when virtual monopolies exist, those providing an essential service must be made to recognize their obligations to others who are forced to depend upon them. We implore you to use all your influence to improve the air service to Missoula.

We are sending duplicate originals of this letter to your Missoula and Washington offices in the hope that one reaches you before the hearing. Please include these comments in the hearing record. We would have appeared in person to testify, but our poor air service prevents us from doing so.

Thank you for your concern. Very truly yours, Lawrence F. Daly.

I hear a lot of people saying that. I bump into it all the time. People walk up at airports. I was in Minneapolis at the airport a few days ago. A lady walked up to me; the first words out of her mouth were, "That blank-blank airline." I can tell you I hear it a lot. I know the problem is complicated, the solution is not easy; but it is a problem, and because it is a problem it has to be solved, whatever the solution is. Maybe flush it out a little more—the consequences of consolidation and potential monopoly effect on our State. You and the major airlines suggested when all this settles down perhaps there may be adequate service but higher fares.

The other potential result was that airlines get together and market Montana. It helps everybody. What do you think is going to happen? Which of those two?

Mr. WILSON. You put me on the spot. I think it is headed now—the first scenario of having two or three carriers in the State. I think the dust is still settling from deregulation, particularly here in Montana. What do we do about that situation? We create consumer demand. We create demand to increase those boardings so that the airlines will increase the service so that we have got competitively priced and reasonably scheduled service. That is what I think we do. The "how to" on that, the list is long.

Senator BAUCUS. What is the degree to which we should worship at the altar of efficiency and free enterprise? The basic premise is total free enterprise. The question is, How valid is that? We are a big country. Our Founding Fathers say that the Constitution cer-

tainly paid some attention to space, as to government, how our country is organized. Montana and New Jersey have two Senators each. We are protecting our State; New Jersey Senators protect theirs.

Ask the question: In civilized society, what is the obligation of Government? What degree of service is Government obligated to? How much should be required? The Postal Service system—that is a service of the Government. Most people think it should be there. Our Founding Fathers thought so. My bottom line, fundamental question is what other considerations are there in providing air service other than the buck, efficiency, free enterprise? We have a subsidy program. I heard Mr. Marshall say he hopes to eliminate his subsidy to zero. That applies to total free enterprise. That is the system our country is built upon. Should there be other considerations or not?

Mr. PANKEY. Ask the employee at Frontier, Republic, Ozark. They will tell you deregulation was a mistake. They are out of work.

Senator BAUCUS. What it comes to is how the people are served, in my view. What is the service? Is the service better or worse? I think it is clear that so far in our State the service is better in some respects, certainly better in the eastern part of the State. I think it is worse in some respects, too. I am talking off the top of my head.

I think we should find ways to encourage major airlines—Northwest, Western, Frontier—not Frontier anymore—but Western to better serve, more jet service to western Montana. And if it means a big burden on Big Sky, then you have to make up that burden with air service programs, as I see it at that point.

Mr. WILSON. It probably should be intervention. If you don't have air service to begin with, you can't create the traffic that shows you need air service. So you are in a catch-22 situation that you can't get out of. Montana, I think, is right there, not being able to demonstrate what it can do and grow in the future with the airlines. Unless there is some intervention one way or another, the airlines will go; and I don't blame them at all to where it is----

Senator BAUCUS. If we go to Northwest and say, "Let's develop this great promotion for Montana"----

Mr. WILSON. We are working with Northwest. They put up thousands of dollars to market Montana, together with the State of Montana, the ski areas and with some of the tour operators. And they do. Ironically, one hand doesn't know what the other is doing sometimes inside Northwest. We are busily putting together a ski program to Seattle and Portland. They instituted a schedule that said no service from there. There are some problems with us sending ski brochures to Seattle and Portland. We pointed that out to the marketing people; they had to change it. I commend them, probably more so than other airlines we work with. They are concerned about Montana's future in that respect. They are concerned about profitability on their airline.

Senator BAUCUS. Somebody said to me that airlines do pretty good with freight. Is that true? In our State, are we more of a freight State, or does that make any difference?

Mr. PANKEY. It's a high-profit item. The airline is going anyhow; if you can fill it up with freight, it is a high-profit item.

Mr. WILSON. One of the problems we are currently experiencing—I don't know how widespread—with the DC-9 service from Northwest right now, the weight factors are such they can't put any freight on. They are limited to the amount of freight they can get on that plane because of the elevations they need to reach. I am not sure about the technical aspects of that. My understanding is that we are moving a lot less freight out of Montana on Northwest since October 1 than before that time.

Senator BAUCUS. Because of equipment?

Mr. WILSON. Capacity is less, too.

Senator BAUCUS. OK. Thank you very much.

The next panel is Monty Eliason, manager, Glacier International Airport; Bill Wren, vice president, Northwest Airlines; Lloyd Rixe, analyst, D. A. Davidson, here in Great Falls; and Thomas Allison, counsel, Western Airlines.

Tom, we'll start with you.

STATEMENT OF THOMAS ALLISON, COUNSEL, WESTERN AIRLINES

Mr. ALLISON. Senator, thank you for inviting Western to testify today.

Let's start off with some good news. Western is about to give more jet service to Montana. As the Missoula airport manager already told you, we are increasing to 345 seats a day out of Missoula. The same kind of increases in five of the seven cities we serve in Montana will become effective December 15. Our response to the obvious demand—it is there—is in part because of the demise of Frontier, and in part because it is a growing market. That is why Western is increasing service, and is trying to respond as best we can to the situation.

Senator BAUCUS. Where?

Mr. ALLISON. Of the seven cities Western serves in Montana, increases will occur everywhere except Bozeman and Butte. Western will be putting more aircraft in the State. Aircraft won't share cities anymore. An aircraft will overnight at Missoula, so seats won't be blocked off to serve Kalispell. At Missoula, it amounts to 345 seats to Salt Lake everyday.

Senator BAUCUS. That is good news.

Mr. ALLISON. As I'm sure you perceived already, this has been a turbulent time since 1978—consolidation of trunk carriers by merger and acquisition. Also common are agreements with commuters, such as you have heard about today, attempting to tie passengers to major carriers and sometimes resulting in substituting smaller planes for jet service where economics of jet service aren't working. This is happening everywhere in the country today, along with the realignment of routes into hub and spoke systems is designed to keep passengers online rather than offline.

This has resulted in increased activity at major hub airports such as Denver which, means that in places like Denver, the capacity of the airport is often overtaxed. Ground facilities in many

cases are strained as well. Montana has experienced all these effects and will continue to do so.

Perhaps the most striking feature of the airline industry at the moment is the sort of rush toward consolidation. I think it might be fair to say that the original architects of deregulation may not have perceived these results. For example, Fred Kahn, who testified before the Senate Commerce Committee at great length in the late 1970's on deregulation, has been quoted recently as expressing concern, to some degree, over the antitrust policies of the Department of Transportation.

There have also been a number of consolidations which haven't been worked out. One example was Frontier and People Express. On the other hand many of these combinations will increase competition in Montana markets in a different way than before. Instead of having airlines go head to head against each other point to point, you will see airlines competing over different hubs. Instead of having two carriers going to Salt Lake, Western is competing with Continental, for example, to the same destinations; Continental flys over Denver; Western and Delta will fly over Salt Lake. The same sort of patterns are emerging all over the country.

So as you think you see less competition, it is really a change in the way the competitive system is working. It is frequently competing over hubs rather than head to head on an individual basis.

It is also true that while there have been some consolidations that haven't worked out—such as Frontier and People Express—many have worked out, producing consolidated carriers, whose long-term presence in markets is assured.

A good example is the Republic-Northwest combination; another one is Western-Delta. The emerging result for Montana will mean not necessarily less competition. Hub-city competition for the same traffic will supplant a lot of side-to-side competition, and as the dust settles, it appears there will be several long-term players serving Montana.

I think the two scenarios you heard today are realistic possibilities. I know Bill's airline—Northwest—and Western both experienced success in promoting destinations to resort States. There was mention of Alaska; which was a very successful program, a good example. Both Northwest and Western have been very active there. Western looks forward to doing that here. I think option 2, under the two scenarios, is entirely possible. Western wants to help bring that about.

I will keep this short in order to allow time for discussion, which I think is inevitable, given what you heard already today.

Senator BAUCUS. Bill.

STATEMENT OF WILLIAM C. WREN, VICE PRESIDENT, PUBLIC RELATIONS, NORTHWEST AIRLINES

Mr. WREN. Thank you for the opportunity to be heard today. In the spirit of keeping with your request, we will keep our comments short, at least initially.

Northwest is taking this opportunity to describe its current commitment to provide air service to and from Montana. Northwest's

interest in Montana is most graphically demonstrated by its 53 years of service.

In the simplest terms possible, the Northwest commitment to Montana has not changed; only its focus has changed. Our flight schedule is designed to meet the needs and demands of the traveling public not only in Montana, but throughout our worldwide network of over 130 cities within the financial and operational constraints of our fleet.

Deregulation in 1978 changed the face of the airline industry forever. No longer can we operate by the standards of the 1960's or 1970's. One needs only to look around the industry to see that all the surviving airlines are facing the same challenges. We must recognize that this is 1986 and perform accordingly.

Because of modern technology, computer reservation systems, and strong competition, no longer do airlines provide traffic feed to each other. Today, hub and spoke networks of self-feed have taken the place of yesteryear's hopscotch linear patterns of interline feed.

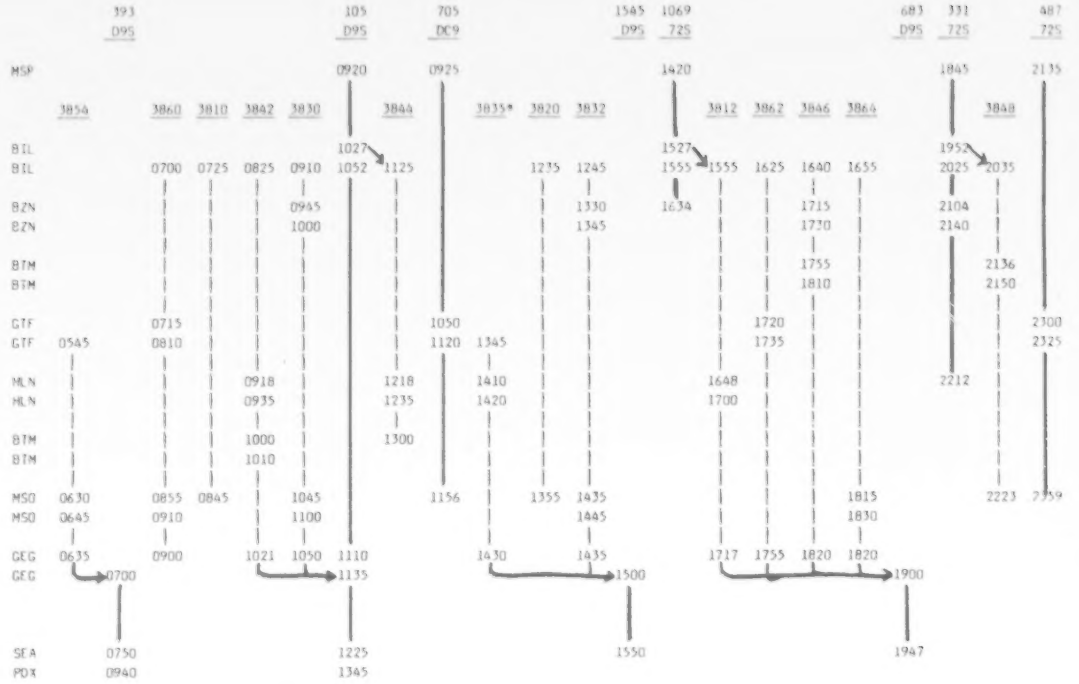
Another feature of today's airline industry is the concept of marketing partnerships between major airlines and regional carriers. These partnerships are ideally suited to lower density traffic areas which cannot support expensive three-engine jet equipment. Northwest has formed such a partnership with a Montana corporation—Big Sky Airlines.

Big Sky was formed in Montana to meet the needs of Montanans. It is a company following the best elements of the "Build Montana" program. Thus Northwest's commitment to Montana has taken an additional new dimension, working in close partnership with Big Sky Airlines while at the same time providing jet service to our major hubs. This is the face of airline travel in 1986.

[Material follows:]

NORTHWEST/NORTHWEST AIRLINK MONTANA SERVICE

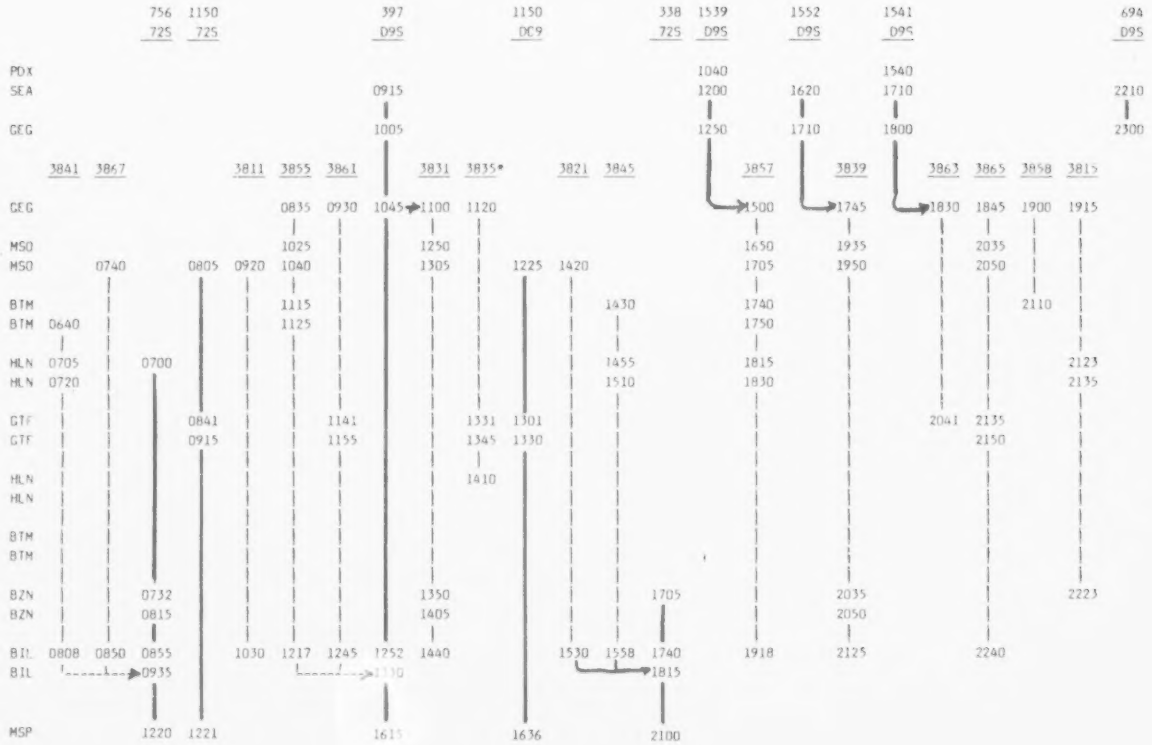
Schedule in Effect on November 15, 1986



*A loop flight operates GEG-GTF-HLN-GEG.

NORTHWEST/NORTHWEST AIRLINK MONTANA SERVICE

Schedule in Effect on November 15, 1986



CITIES SERVED WINTER/SUMMER - 1986/1987
MINNEAPOLIS ST. PAUL

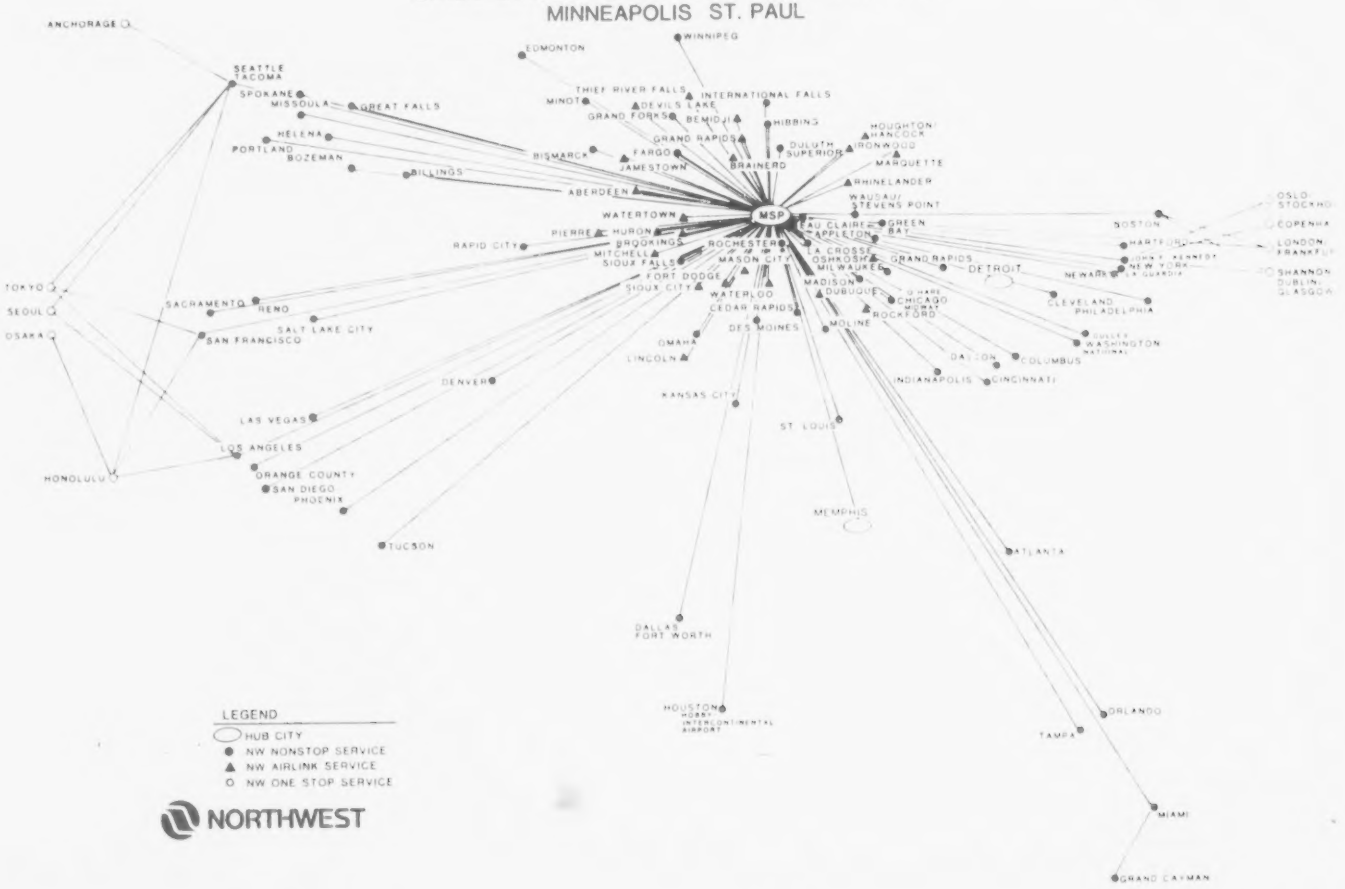


Table 3

NORTHWEST AIRLINK'S SERVICE
ON ROUTES BETWEEN BILLINGS AND SPOKANE

City Pair	Scheduled One Way Nonstop Flts Per Week 6/5/86	10/1/86	11/15/86
BIL-BZN	-	20	34
BIL-HLN	38	46	47
BIL-BTM	10	15	14
BIL-GTF	22	26	26
BIL-MSO	-	14	33
GTF-MSO	22	7	20
BTM-MSO	-	20	20
HLN-BTM	60	34	35
HLN-GTF	-	7	7
BZN-MSO	-	28	28
GEG-MSO	22	70	70
GEG-GTF	-	26	27
GEG-HLN	10	19	19
GEG-BTM	22	19	19
	206	351	399
% Increase Over 6/5		70%	94%

	Total One Way Flights Per Week	
BIL-BZN	20	34
-HLN	46	47
-BTM	55	55
-GTF	26	26
-MSO	55	88
-GEG	86	101
GEG-BZN	34	34
-HLN	39	40
-BTM	33	33
-GTF	39	54
-MSO	70	70

THERE ARE EIGHT FLIGHTS PER DAY
FROM MISSOULA TO SPOKANE THAT PROVIDE ACCESS
TO SEVENTEEN FLIGHTS PER DAY FROM SPOKANE TO SEATTLE

Schedule in Effect on October 15, 1986

Missoula To Spokane			Spokane To Seattle		
Airline/ Flt No	Lv	Ar	Ar	Lv	Airline/ Flt No
			0655	0747	UA1051
NW*3854	0645	0635	0700	0752	NW393
			0710	0800	AS122
UA*2455	0715	0705	0735	0845	UA*2455
			0810	0905	AS131
NW*3860	0910	0900			
UA*2614	1005	1040	1110	1202	UA1093
NW*3830	1030	1020	1135	1225	NW105
			1150	1245	AS155
			1215	1305	PS1710
			1430	1540	UA*2617
NW*3832	1445	1435	1500	1550	NW1545
			1540	1632	UA1095
			1610	1705	AS69
			1710	1800	PS854
UA*2499	1745	1735	1750	1900	UA*2499
NW*3864	1830	1820	1900	1947	NW683
			1945	2037	UA1097

*Northwest/United Express Airlink services.

Senator BAUCUS. Lloyd.

STATEMENT OF LLOYD C. RIXE, ANALYST, D.A. DAVIDSON, GREAT FALLS, MT

Mr. RIXE. I am Lloyd C. Rixe. On behalf of D.A. Davidson and myself, thank you for holding these hearings, and thank you for the opportunity to appear here. I guess I feel a little like a voice in the wilderness as the only airline analyst on the panel. Nevertheless, I appreciate you letting me make my remarks.

I spent 20 years working in the airline industry as a consultant and for a wide range of clients, including Continental, Western, Frontier, plus many regional airlines. Airline deregulation brought change in the industry. This change has taken a lot longer to play out than most of us would have forecast. This change has been associated with the two factors of: One, open and free entry in the marketplace that was not possible before; and two, freedom to price the product any way the market would in fact allow us to price the product, which was previously regulated. This exposure to a deregulated environment has allowed for both great success and economic reward, and at the same time, economic failure. We have had a lot of both. What has happened?

We have a totally changed competitive environment in the airline industry with considerable excess capacity within the industry and a tremendously complex pricing structure. Over 80 percent of the passengers in today's markets travel on some kind of discount fare. New entry and economic failure have never been more prevalent. Mergers, acquisitions, and changes associated with them have been very apparent as we look at this industry. The major connecting hub system of the airlines has evolved and the hub-spoke structure replaced the other forms of route structure referred to earlier. The advantage of traveling on a single carrier for the entire trip has gone up dramatically because of fare structure and because of service provided. Interline service, as Bill mentioned, has practically disappeared. Few people the travel on two carriers where there isn't some kind of marketing alliance arrangement. It is a very small portion of our traffic today.

I believe the airline industry of the 1990's will be made up of a small number—five to seven—extremely large carriers. Most, if not all, of these carriers will have route systems which will blanket the United States. I don't think they will carve the United States up into pieces as someone suggested. I don't think there is any indication in the record that support the thesis that these giants are carving up the country. I think quite the reverse. These five to seven large giants are covering the country, blanketing it. Most will likely have some international presence through their own service and expand their domestic systems as Northwest is now doing with Big Sky through marketing alliance with others. Many small regional carriers are expected to market or provide service in special market areas of the United States. Most of the regionals will be tied to major surviving carriers by marketing alliance. A classic example is the Northwest/Big Sky Airlines arrangement now emerging in Montana. There are many examples of that working very well across the country.

The surviving giants aren't all known at this time, but it seems to me it is becoming quite clear that several are emerging and becoming fairly well defined. It seems to me the list involves the following: One, United, who is continuing to expand internally, and who recently acquired PanAm's Pacific routes, plus part of Frontier; two, Northwest with the recent acquisition and integration of Republic Airlines; three, American with their rapidly expanded system of hubs in the eastern and central portions of the United States; four, Continental and their pending merger or acquisition of Eastern and People Express including Frontier; and five, Delta, in combination with Western. Maybe there are two or three others, but they are hard for me to identify at this point.

The remaining majors out there who are not part of these five, include PanAm, Trans World, Ozark, Piedmont, USAir, and Southwest. What has happened in Montana? We have had essential air service provided on a continued and consistent, uninterrupted basis by a single carrier, Big Sky, since the beginning of airline deregulation. To me, that is a real success story. A lot of essential air service points in this country have gone through two, three, or four carriers in that period of time.

Montana continues to have service at seven airports by major airlines using jet aircraft. These include Kalispell, Missoula, Helena, Bozeman, Butte, Great Falls, and Billings. Prior to airline deregulation the State had service provided primarily by three carriers, including Northwest, Western, and Frontier. Frontier recently filed chapter 11 as a subsidiary of People Express, and United and Continental are new members of the airline community in the State of Montana.

Where are we today? Montana continues to have Big Sky as a healthy, viable carrier providing essential air service and operating as a Northwest airlink carrier. Horizon operates in western Montana, with announced plans to expand. Montana has service by four of the five large giants who are emerging in this industry. These include Northwest, Delta, United, and Continental. The assets of Frontier are being merged into the system of Continental and, therefore, we may see additional service by Continental in the State.

Obviously, since I wrote that this morning, that has changed. We have Continental announcing two new city additions in the State today.

Senator BAUCUS. I hope it doesn't change the other way by the time we finish.

Mr. RIXE. Montana, with 700,000 people and a sparse population base, has truly—in my mind—come out very well. All seven of our major cities have at least one of the large surviving giants in their city, and most have more than one. Butte and Kalispell each have one. Missoula and Bozeman will have three with Continental and, Helena, two. Billings and Great Falls have four of the five, as does the State. Many are less fortunate. We do not have to look far to find that there are many cities and States our size that do not have that kind of air service. It is hard, in my mind, to find a State or many individual cities our size with any better airline service. I feel we have really done quite well in terms of the results of airline deregulation. Our mission, to me, is to use and expand that service

and actively support economic development of the State of Montana by using the service that is provided. I strongly support and endorse additional subsidy for the essential air service program in eastern Montana. I would also strongly oppose any form of reregulation of the airline industry. I think it would be a step backward.

Thank you.

Senator BAUCUS. Monte.

STATEMENT OF MONTE M. ELIASON, MANAGER AND SECRETARY, GLACIER PARK INTERNATIONAL AIRPORT AND FLATHEAD MUNICIPAL AIRPORT AUTHORITY, KALISPELL, MT

Mr. ELIASON. I am Monte Eliason, airport manager and secretary of the Glacier Park International Airport and Flathead Municipal Airport Authority in Kalispell. I thank you for the invitation to participate in this information-gathering hearing on airline service to Montana. The views I have are my own and reflect my experience as a former consultant to airports, cities, and airlines, and my experience as the manager of the Flathead Municipal Airport Authority in Kalispell.

The focus of this hearing is on how Montana is faring some 8 years after the Airline Deregulation Act was passed. The questions really are, one, how has the air transportation industry changed? Two, where is it headed from here? And three, are the effects of these changes good or bad for Montana? Growing out of the answers to these questions, then, is whether anything can or should be done at the national level to impact the future.

How has the industry changed? On the national scene since deregulation, we have witnessed a period of dramatic change in how airlines serve their markets and in how they internally manage their business. In 1977, there were 37 certificated airlines in the United States. The 12 trunk—or largest—carriers had about 90 percent of all domestic traffic. Today, we have over 100 airlines operating in the United States. The new entrant airline has been the most significant change that John Q. Public has observed in the industry—until recently, that is. In the past year or two we have watched as "merger mania" has taken center stage. Presently, the 9 or 10 largest airlines still carry 90 percent of all traffic.

The difference, however, is in the pattern of service. Rather than mostly monopoly linear routes protected by Government, we now have hub-and-spoke-type routes developed by the airline and being protected by that airline through pricing and through a system of connecting flights. This has caused the major carriers to shed low-density points and has allowed smaller carriers to pick up the traffic at these points and move it into connecting hub airports. This change has been gradual and is just now impacting Montana.

Where is the industry headed? Since the 9 or 10 large airline companies carry 90 percent of the traffic, the other 90 smaller U.S. airlines are obviously competing for 10 percent of the market. Many of these carriers are operating in turbulent air. Most have employed all means to stabilize their positions: government subsidy to EAS points, code sharing with a large airline, even selling part of the company to a larger airline.

The industry, after 8 years of deregulation, is still evolving. I don't believe there is any turning the clock back. We will likely see a continuation of the trend to a few—five or six—super-large airlines with national and international route systems. Smaller, regional carriers will augment this domestic system plus serve the low-density markets to hubs where connections can be made.

The tune the air transportation industry must dance to is profitability. If it makes economic sense for an airline to serve a city, it may choose to fly there. If it doesn't make economic sense, it most certainly won't fly there. The carriers that serve Montana now or those that will serve the State in the future are evaluating and then deciding where their return is the greatest.

What is in the future for Montana? Good airline service is vital to cities and business growth. Everyone desires reasonably convenient access to the national transportation system. Each city is unique and thus has a different definition of reasonable air service. The trick is to have the level of airline service parallel the size of the local air passenger market.

I believe that it is our obligation to continually educate carriers on what our markets are and what they should be. We should be in a partnership with carriers to bring the highest economically sensible caliber of air service to a city.

Deregulation has generally resulted in lower fares, even for most Montana travelers. That is a benefit. However, we are experiencing a change in traditional airline service that is, in many cases, a downgrading of past service levels. As the system continues to evolve, I think, on balance, deregulation will be judged positively. In any case, I don't think there is any going back.

The problems of airline bankruptcies, abrupt in-or-out changes in serving carriers, voids in service to certain destinations—these are going to be recurring facts of life in the industry. However, they will eventually even out without additional Federal Government regulation. Montana cities, with continued efforts of working with airlines, will have the level of service they can support. If the market is there or can be developed, then someone will be convinced to serve it.

In 1978, the system was changed. The industry is yet in an evolutionary period resulting from that change. Let's monitor it, work with it and influence it. Let's take an active part in promoting and improving airline service to Montana. We can do that without new Government regulation.

Senator BAUCUS. Thank you. I agree with you. Nobody likes Government regulation. Nobody wants to turn back the clock to repeal. I am not one who wants to do that.

Several questions come to my mind. First, is this turmoil ever going to settle down? You said it will. Then you added, "I think." My question to Bill, Tom, Lloyd and all of you, is this turmoil—this volatility, routes in and out, fares changing, mergers, bankruptcies—is it going to change or will it be like this indefinitely?

Mr. ELIASON. I will take a short answer. I think it will settle down. I think this period, as Lloyd mentioned and John Wilson mentioned earlier—I think the dust is still settling. Deregulation is playing out. I think it is reaching final stages. We have to be careful not to overreact at this time and let the dust continue to fall.

Mr. ALLISON. Senator, soon everyone will be merged or bankrupt. There will be nothing left to happen.

Senator BAUCUS. Everybody can be merged or bankrupt, takeovers? That isn't necessarily true.

Mr. ALLISON. In the airline environment there exists the possibility for those kinds of changes. You are seeing a structural shakeup that will result in national coverage by a number of systems that will compete over alternative hubs. Once that occurs, you will have a much more stable situation. I certainly hope so. Stability hasn't been a recent hallmark in this industry.

Mr. WREN. I concur with that. The record will show quite clearly Northwest was not in favor of deregulation when it was proposed. There was really only one major airline, United Airlines, who supported deregulation at the time it came about, of the majors. So we were clearly opposed to it at the time, along with all the other airlines.

Senator BAUCUS. Are you still opposed to it?

Mr. WREN. It is here. It serves no purpose to take a point of opposition. As long as it is here, it is a fact of life; we will live with it and compete in that.

Senator BAUCUS. Will it settle down? When do you think it will settle down?

Mr. WREN. It is seeing stabilization now. Basically, it started with Braniff falling by the wayside through bankruptcy, and a few other airlines falling by the way through bankruptcy. If you were going to survive, you had to find new ways to survive. Either you had to merge or retract or contract into a much smaller size than you were before. Some have chosen to do one or the other; some have done both. Continental filed bankruptcy, and look at them now. They will be the largest airline in the United States.

Mr. RIXE. I think it shaped up more in the last 2 years than in the other 6. I named survivors. I don't think you would have had a prayer of doing that 5 years ago. I think it is shaping up quickly. I think in the next couple years it will settle down very solidly into a pattern again. Anytime you deregulate an industry as big and important as the airline industry, you are looking at a 5- or 10-year time line for that settling to take place. I think we are at the end of the shakeout period. We will continue to have new entry and price competition but it will not be as disruptive as it has been the last 5 or 6 years.

Senator BAUCUS. As I listen to all of you, you seem to be focusing on one part of the turmoil that may shake out; namely, route structure or survivors, five or six, whatever the number is. I think that is right. There will be five or six; Delta, Northwest, United, the carriers you named. You have not said whether there will still be big discount wars, or volatility on fares. Will that settle down?

Mr. ALLISON. Over time I believe you won't see as much irrationality on price as a couple years ago. As the structure becomes more stable, I don't think you will see the kind of irrational competitive pricing decisions that were made by the carriers during the shakeup period. It isn't good for the carriers.

Mr. ELIASON. From the standpoint of the general public, it would benefit more from unsettled than stabilized.

Senator BAUCUS. The earlier question is whether we think the discounts and pricing wars are going to stabilize or not.

Mr. RIXE. The economic system in the deregulated environment indeed produces competition. I don't think price competition will go away. I don't think we will ever go back to a one or two single fare structure and that we will see a wide range of promotional fares. The businessman in Bozeman who has to go at the last minute versus the tourist-oriented person who can plan 30 days in advance will likely continue to pay different fares. I think this will be with us for a long while in the industry. People able to plan and buy tickets in advance and who are willing to commit money in advance are going to receive some very deep discounts for a long time in the future. The people who can't do that or who have to go at the last minute will pay more. Variable fare will be available to the traveling public. I don't think that is going to end.

Mr. WREN. I concur with that. One thing people would not know is that this year—1986 alone, the first 12 days of 1986—we had 942,000 fare changes in 12 days alone. These run the whole spectrum.

Senator BAUCUS. What does that mean?

Mr. WREN. In different city fares, just United States fares tied in with city fares, and so on. They are fare filings. File a fare to serve between San Francisco or San Diego, 35 or 40 different fares just in the economy class area.

Senator BAUCUS. It is interesting here—I think you are probably right. A lot of the fare discounts and pricing wars won't go away for the reasons you mentioned. I think it will not for another reason. We are subsidizing most of those businessmen—those tend to be businessmen who have to buy tickets at the last minute—as a travel expense. It is a deductible business expense, and so the rest of the taxpayers are paying for that. It is a form of subsidy. It is a cost that can be passed on, whereas Joe Blow tourist has to pay that. It is not a business expense unless he is going with a group. It seems to me that the man who preceded you can write it off for business. When you are faced with a last-minute decision——

Mr. WREN. A certain amount of truth to that, Senator. Something that Tom said earlier was that we are competing over our own hubs now. There is competition to the same destination over different hubs. So if you are going, for example, from here to Washington, DC, you have a choice from Montana of going to Minneapolis-St. Paul—we offer service—or Denver, United Airlines, Western, Salt Lake City. We compete very definitely.

Senator BAUCUS. You point out the hubs. You both say or imply "better than we had in the past." My question is, is it better? If you think it is better, why? I'm talking from the public point of view.

Mr. ALLISON. What I said originally is "not better," but the notion there is no competition just because they dominate Minneapolis and we are Salt Lake———

Senator BAUCUS. Different kinds of competition. Is that better for most people who travel?

Mr. ALLISON. More people travel on discount fares than before.

Senator BAUCUS. Why do you have to tap discount fares to hubs? I don't see they are part and parcel.

Mr. ALLISON. When fares were regulated, you didn't have to worry so much about price elasticity. The range in pricing in effect allows more people to fly than was the case prior to deregulation of the industry.

Senator BAUCUS. When the industry was deregulated, routes were deregulated and fares deregulated. I understand the hub development, because routes being deregulated—I don't understand why it necessarily means because hubs are deregulated or routes——

Mr. ALLISON. Carriers have become more efficient.

Senator BAUCUS. From the public point of view, why is the hub structure better than not having a hub structure?

Mr. RIXE. I will address that from the Montana traveling public point of view. I don't think there is any question that from the Montana public point of view; it is better. The fact that people from large cities or metropolitan areas have to stop in Denver, Minneapolis, or Salt Lake to get to where they want to go is of great benefit to us in Montana because that puts more air service into Salt Lake City and Denver and Minneapolis. These places we travel through to get to the rest of the world. The fact you are stopping people on routes which might support airline service without the stop puts more service in the hubs, and that makes our situation in Montana better. It doesn't necessarily mean it is better for the person in New York or Boston, in that he has to stop in Denver or Minneapolis or Salt Lake, but it enhances service to Montana. This is true because we have more service going through Salt Lake, Denver, and Minneapolis which we have always used as our gateway to the world. When we get to Salt Lake on the Western-Delta system or Minneapolis on the Northwest system or Denver on United or Continental—we have more opportunity to move from those places to the rest of the world.

Senator BAUCUS. I hear the words. I don't know if I agree.

Mr. WREN. The key word is "access."

Senator BAUCUS. Bill, were you making a profit on those routes in the State?

Mr. WREN. No, sir.

Senator BAUCUS. Are you making money on any? Northwest didn't make a single profit on any routes in Montana that Northwest is now serving?

Mr. WREN. Obviously, it is more difficult. It is not that easy to define what is economical and what is not economical. Since 1978, much of our traffic has diverted to Denver——

Senator BAUCUS. What is that?

Mr. WREN. Montana traffic that formerly traveled on Northwest has been diverted to Salt Lake on Western or United Airlines via Denver to other cities. That is well and good. That is part of competition. For example, we had something like 45 percent of the traffic out of Great Falls. We are down to about 24 percent. That has gone elsewhere.

Senator BAUCUS. More planes get more——

Mr. WREN. Since 1978, we really have seen erosion of our traffic and a different pattern of traffic. The traffic pattern—demand, for us—as we see it is eastbound, not westbound. We have most recently responded to that by offering more direct service through our

hub in Minneapolis. Montana, essentially, has not been able to adequately support, financially, what we would see as an equitable rate of return for Northwest. We have three-pilot aircraft; we have three-engine aircraft—starting recently, since the first of October, two. Historically, three-engine aircraft are out of Montana. The average pilot's salary for Northwest is approaching $90,000. There was a comment earlier that we were doing well from Missoula westbound to Seattle, Spokane, so on, and so forth. We were averaging, in October of 1985, 50 passengers per day from Missoula to any point westbound, Seattle, Spokane, Portland. In November, we averaged 54.4 passengers per day. That is on two flights a day. That is a 15 percent load factor. That is not economical; our breakeven load factor is 58 percent. Fifteen percent is not economically viable.

Senator BAUCUS. What about smaller planes? Why aren't they less expensive to operate? Is the DC-9 less or more expensive to operate than the 727?

Mr. WREN. The 727 burns 1,200 gallons of fuel per hour, the DC-9 less.

Senator BAUCUS. Is one more or less expensive?

Mr. WREN. The DC-9 is much less expensive. It burns less fuel per hour, and also has a two-pilot cockpit. Instead of a $180,000 average salary in the cockpit annually.

Senator BAUCUS. As a rule of thumb, how much less expensive?

Mr. WREN. Probably a third less.

Senator BAUCUS. Why can't you operate those planes, the DC-9, if it's a third less cost?

Mr. WREN. For three or four passengers per trip?

Senator BAUCUS. More than three or four people fly between Billings and Missoula, Great Falls, Helena. I have traveled that lots. Many more than three or four people travel those routes.

Mr. WREN. For 40-some years, we have been Montana's only intrastate carrier. That day has gone; it is past. It passed in 1978. We have joined forces in today's environment in a pattern with a Montana corporation. We didn't go to Washington or Oregon, we came to a Montana corporation, born and bred here in the finest tradition of the Build Montana Program, and formed a new dimension to do what we are doing. They can provide greater frequency, the times between the city pairs that we cannot.

Senator BAUCUS. Would Northwest make or lose money if the DC-9 were operating in some of those markets? Like Minneapolis to Billings—what if that was a DC-9 that went on to Missoula, on to Spokane, Helena, and Helena-Missoula to Spokane? Can Northwest make a profit with that equipment on those routes?

Mr. WREN. No.

Senator BAUCUS. How much does Northwest lose? How much was Northwest losing on those routes the last couple of years?

Mr. WREN. I can't give precise details today. You have to put that in the context of overall operation.

Senator BAUCUS. That isn't true. Your company makes decisions on where to fly and not to fly. Don't lump it all in one big pot and throw the dice to see where you fly. You make decisions on what towns and cities to go into and which not on an economic basis. So you know the answer to my question.

Mr. WREN. I don't personally know. The company knows. I don't have the figures here. I can't advise you of exact numbers.

Senator BAUCUS. I won't put words in your mouth. Was Northwest making any money at all on those routes, on some of those routes in our State before Northwest withdrew?

Mr. WREN. On a day-to-day basis or annual basis?

Senator BAUCUS. Quarterly.

Mr. WREN. No.

Senator BAUCUS. Was not making any money on any of those routes on a quarterly basis?

Mr. WREN. No.

Senator BAUCUS. How much was Northwest losing, roughly?

Mr. WREN. I am sorry. I can't give you those numbers.

Senator BAUCUS. How do you know you are losing if you don't have the numbers?

Mr. WREN. I can give you numbers of passengers.

Senator BAUCUS. How do you know you're not making any money on any of those routes if you cannot now give me a rough guess as to how much? How do you know that?

Mr. WREN. I know what we have to have to break even. A 58-percent load factor is needed to break even.

Senator BAUCUS. That is the general system?

Mr. WREN. Yes. It costs more to operate short-haul markets than long haul.

Senator BAUCUS. How much would Northwest make or lose if it had equipment one-third less expensive to operate? The DC-9 is one-third less expensive.

Mr. WREN. I don't have precise numbers. I presume it's about one-third less expensive to operate.

Senator BAUCUS. My question was, how much would Northwest be making or losing if it had equipment which is one-third less expensive to operate?

Mr. WREN. It is very difficult to answer because—again, I can give what we need as a company to break even currently, given today's route system and fares. I know what we are carrying. We are able to offer schedules today which are going to put us into a profitable situation in Montana.

Mr. ALLISON. For what it is worth from the perspective of a carrier expanding operations in Montana with large jet aircraft, Western is doing that because it is profitable. We don't have 15-percent load factors. If we did, we wouldn't be doing that. The other observation I will share with you—Northwest Airlines historically has a reputation for knowing its business as well or better than any in the industry. If they are not serving a route, it is probably because they can't make any money.

Senator BAUCUS. May not be.

Mr. RIXE. I think that what we are saying all ties together. The way you make money in providing air service to the traveling public in Montana, as a large jet operator, is to fly to a hub and feed people over it. It is clear that is what the carriers are doing. Northwest is flying to Minneapolis and feeding people all over the world from there. Delta and Western are flying to Salt Lake and then connecting and flying people all over the world. Continental and United are doing the same at Denver.

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Northwest, in terms of service west from Montana, does not have that opportunity to fly people over a hub to the rest of the world. Thus routes west are more like a simple point to point linear route system. A number of us have said that the economics of providing that type of service has dramatically changed.

Senator BAUCUS. I understand. I feel it will end up carving out a relationship among the remaining five or six—whatever they are, all of which have air links established. I will tell you why. Northwest has its air link, Big Sky. What is Western's air link?

Mr. ALLISON. Sky West or Western Express.

Senator BAUCUS. As extensive as Big Sky?

Mr. ALLISON. Yes, it is. It is not so in Montana.

Senator BAUCUS. My question is, in Montana.

Mr. ALLISON. You don't need it in Montana. If Northwest Airlines has the kind of demand for services we heard about today, nothing would stop them from buying their own DC-9.

Senator BAUCUS. The five or six will have their air link?

Mr. RIXE. They will all have air links, but not air links in Montana.

Senator BAUCUS. That is my point. Each will have its air links as a result of carving up; and my guess is that it will be to some degree—not entirely, as nothing is black and white—to the fare pricing disadvantage of a lot of people in this country, particularly in our State.

Mr. ALLISON. That is a different issue than running a jet between Billings and Missoula. There's nothing to prevent Big Sky from running one. Why would they run an 18-seat airplane if there is enough demand for a DC-9?

Senator BAUCUS. I am just guessing; an arrangement between Northwest and Big Sky. Northwest can make more money by pulling out and conveniently working out an arrangement, a financial arrangement with Big Sky. That's how it looks.

Mr. RIXE. I believe the record of what has happened in terms of these mergers suggests these five or six people are trying to blanket this country, not trying to carve it up. Delta didn't buy Western to dissolve Western's presence; they bought it because they wanted Western's presence.

Senator BAUCUS. Because they are in competition with United or some other major airline. They didn't want to be left in the dust; they wanted to make a buck. Delta's first duty to shareholders is to make a buck, as is the case with the other major airlines. The question is, to what degree is that better or worse for our State, our rural State? That is what it comes down to.

Mr. WREN. There has been a misperception that Northwest is pulling out of Montana. Clearly, we aren't pulling out of Montana.

Senator BAUCUS. You are pulling out——

Mr. WREN. We have no intention of pulling out of Montana, none whatsoever. All we are doing is doing exactly what Tom and Lloyd talked about. We are feeding into our strength, to our hub. We are changing focus of our service, not changing commitment to Montana.

Senator BAUCUS. I hear the words, but to me that is a smokescreen. You are withdrawing service, significant routes in its place, arranging for Big Sky to come in, for example. If you call that

change of focus, that is fine. Like in this letter that we have, you are withdrawing air service. People like jets. A lot of people in the State like jets. They see it as a deterioration of the service when they can no longer fly jets. No reflection on Big Sky; it is a Montana company, and that is great.

To be honest, a lot of people between major towns feel upset. They tell me that; I bump into them all the time. They can no longer have jet service. That is deterioration, lower standard of living, a lower quality of life in the State for those people.

Mr. WREN. I hear that as well. No question, people want jet service. We are providing eastbound—providing nonstop from Great Falls to Minneapolis, nonstop from Bozeman to Minneapolis-St. Paul and other cities to our hub. We provide access to 68 cities on our system. We are changing focus.

Senator BAUCUS. Like you said, you can't think of any other States or cities with worse or better service?

Mr. RIXE. I think we have tremendous service when you look at our State, with 700,000 people and consider that we have 4 of the 5 major surviving carriers operating here, feeding to Salt Lake, Denver, Minneapolis. There are a lot of places in this country of 700,000 people spread over the mileage we are talking about, with nowhere near the quality of airline service as Montana. I think in Utah you have one airport served by jets. In the State of Washington you have three or maybe four.

Senator BAUCUS. There aren't any other States as large as ours with the population as spread out. Utah is a different kind of State. Seattle is that whole metropolitan area. More than half the people live there. We don't have a Denver, Seattle, or Salt Lake.

Mr. RIXE. I think I heard in earlier testimony that a city like Bozeman, for example, with 30,000 or 40,000 people—admittedly, a destination resort with recreational travel—has on 22 flights per day. This equates to 11 round trips. Bozeman has three of the surviving giants—I think that is amazing. I live in Great Falls. It is hard for me to find a city in the United States, of any consequence, that I don't have at least two alternatives to travel to on a single carrier. Great Falls is served by Northwest, Western-Delta, Continental, and United. At least two of these four serve nearly every city in the United States from Great Falls.

Senator BAUCUS. Thank you.

The hearing record will be kept open until the 12th of November. If any of you have any additions you want to add, get them in. Send that, please, to our office in Washington, DC. I said I would open to anybody. Anybody have anything to say about anything?

STATEMENT OF GEORGE PAUL, CHAIRMAN, TRANSPORTATION COMMITTEE, GREAT FALLS AREA CHAMBER OF COMMERCE, GREAT FALLS, MT

Mr. PAUL. Senator Baucus, ladies and gentlemen, good afternoon. My name is George Paul; I am chairman of the Transportation Committee, Great Falls Area Chamber of Commerce, and I address you today in that capacity.

In the next few minutes, I hope to give you some idea of the extent of our concern about air service in this region of Montana

and the extent of our activities in this regard. However, first let me say, Senator, that we are delighted to have you in Great Falls and appreciate your convening a hearing on this issue of vital importance to the people of Great Falls and the citizens of several counties surrounding the Electric City.

A commonly-held belief in this area for several years has been that Great Falls provides goods and services not only to its residents, but to many people living well beyond its incorporated boundaries. That belief was confirmed last year when a professional marketing study conducted by the Cowles Media Co. substantiated that people from a 14-county area surrounding Great Falls come here for business and pleasure.

The role of Great Falls as a provider of air transportation service is enhanced by its central location in the region, its fine airport facility, and its responsibility to serve residents from a multiple-county area. An indication of the importance of good air service to this community is that, according to the Cowles Media survey, people in the 14-county area around Great Falls have a higher per capita use of the airport than airports serving cities of similar size.

It is this perspective that guides our concern regarding air service for Great Falls. Great Falls is the gateway through which many people and much commerce passes into or out of this 14-county region. And though our population may not be large when compared to other more densely populated areas, individuals and businesses that exist here deserve a level of service equal to that expected elsewhere in the Nation.

It is the level of service here that has captured our attention most recently. Our first and most basic message to you today is that our community, as well as the rest of Montana, requires and requests adequate air service. We are concerned that that point may escape corporate decisionmakers as they are caught up in the current turmoil in the airline industry forced upon them by numerous mergers, reorganizations, bankruptcies, and so forth.

To be more specific about the level of service, let me state clearly that many complaints have been registered by people in this area who are frequent flyers. Complaints range from too few seats available and restrictions on luggage when flying on smaller aircraft, to having to fly a long way south from here to go west when traveling on larger aircraft. Reductions in service to the west are particularly troublesome as they come at a time when this community is looking toward the Pacific Rim for greater trade opportunities.

Questions of adequate service invariably involve concerns for the number of boardings available, consideration for checked and carry-on baggage, space availability for freight, adequacy of mail service, and how weather and other factors affect scheduled service. This inevitably leads to the discussion of larger aircraft—727—versus smaller ones, such as metroliners.

We recognize the industry concern that serving a particular area with large aircraft may not be "revenue wise." At the same time, smaller aircraft may ensure a better income/expense profile to the company, but not provide an adequate level of service to the community.

As a chamber of commerce, we would not advocate that an airline run at a loss. Like any other business, we want them to oper-

ate profitably here, which benefits both the company and the community.

Somewhere between those parameters—operating profitably and providing adequate service—there must be a compromise position which serves well both the company and the community. To believe otherwise is to say that adequate service and corporate profits are mutually exclusive.

We also recognize that there are two levels of discussion within this issue. One is more immediate and local—what size aircraft, how many flights, where to, et cetera. Then on a related but more broad level is the question of industry deregulation. Deregulation is a wonderful umbrella to work under, providing great latitude in corporate decisionmaking. From a consumer perspective, a deregulated environment is desirable only when there are sufficient factors to nurture true competition.

Montana is the fourth largest State, yet has one of the smallest populations. What major company would want to service such an area? Deregulation in this case may encourage less than adequate service to the citizens. If that seems reasonable, perhaps deregulation in Montana deserves some fresh scrutiny.

In closing, Senator, please let me bring to your attention a frustration which confronted the Transportation Committee more than it should have while we have been discussing air service here. There seems to be a need for reliable statistics. We occasionally came across what appeared to be contradicting data and data that can be misinterpreted. We appreciate, as you do, that data must be clear and accurate if you expect good and correct decisions.

Finally, sir, please be aware that the Great Falls Area Chamber of Commerce has been involved with this issue for some time and intends to continue an active interest. We would be happy to be a useful resource to your ongoing activities in this regard, and stand ready to assist at your request. There are additional supporting materials attached to this testimony. Thank you.

[Material follows:]

EXECUTIVE COMMITTEE MEETING — 7 a.m., March 30, 1977
GREAT FALLS AREA CHAMBER OF COMMERCE — CHAMBER CONFERENCE ROOM

PRESENT: KAUFMAN, DECOLATI, ROWE, SOLBERG, WILLITS, AND YOUNG

ABSENT: KENYON AND DAVIDSON

AVIATION DEREGULATION

The Committee discussed a recommendation from the Aviation Committee that the Chamber go on record as opposing the Kennedy-Cannon bill which would deregulate the airlines industry. Proponents claim this bill would bring in new, innovative airlines, and bring about lower fares. Main local concern is that deregulation could result in a reduction of service for the smaller less-lucrative rural communities. Willits expressed his concern that our opposition was contrary to all that the Chamber stands for, i.e., promotion of the free, private enterprise system. He said we were acting more out of a "fear of the unknown".

Solberg moved and Decolati moved that we recommend opposition to airline industry deregulation to the full Board of Directors and that a meeting be called at the earliest practical moment to consider the issue. Motion carried with Willits voting no. Aviation Committee Chairman Eldon McNicol was asked to attend with additional information on the pros and cons and more information on their positions from all the airlines serving Great Falls.

FEDERAL EXPRESS

Young informed the Committee that a meeting will be held at 12 noon, Monday, April 4 with Mr. Bill Carroll of Federal Express. All Executive Committee members were urged to attend.

E. D. C. RENT

The Committee reviewed a letter from E. D. C. Director Steve Buttress which proposed a reduction of monthly rent from $150 to $91. The latter figure would include no use of conference room, print shop, or secretarial services of the Chamber. Unit costs for any copy machine use and postage would be added to rent. It was noted that lately EDC has not been reimbursing the Chamber for postage, etc. in the belief that that is part of rent.

Committee members felt that $150 was a reasonable rent under the circumstance. Solberg moved and Decolati seconded a motion that rent remain at a flat $150 monthly with no breakdown on incremental costs involved and that supplies materials, postage, etc. be an additional EDC expense. Motion carried.

NEW WEIGHMASTER AGREEMENT

Young noted that a meeting has been held with the elevators participating in the weighmaster program. It was agreed that program funds will be commingled with other Chamber funds providing a $1500 is maintained. The monthly fee per elevator will remain at $150 per month plus $1 per car in or out after the first 50 each month. This formula should be sufficient to cover the cost of the program.

REPORTS

a) Executive Assistant Search. Several candidates are actively under consideration. An interview with the first candidate will be held on April 9. All Executive Commitee members were urged to participate.

b) Turning Point Program. Mr. Bill Graham of Turning Point Programs will begin selling the "Productivity" seminar on April 11.

c) Montana Chamber Annual Meeting. Ward Kencke has accepted responsibility for being attendance promotion chairman for the Annual Meeting, May 24 and 25 in Helena.

d) Harvest Festival. Oct 7-9 has been set as the dates for a city-wide Harvest Festival ag appreciation celebration. Clem Johnson and Larry Scoville will co-chair.

e) Conference on Planning Growth. It has been suggested by the Planning & Zoning Committee that the Chamber facilitate a workshop to discuss and define philosophies regarding growth. The meeting could involve planning commissions, city and county commissioners, new city manager, neighboring Cascade County cities, etc. Every effort would be to reach concensus on growth and the options for achieving and directing it.

Kaufman moved and Solberg seconded a motion that the Executive Committee endorse the idea and ask Robbins to pursue it. Motion carried.

f) CCIC. Kaufman brought the Committee up to date on work forming the City Center Improvement Corp. He said a number of tax incentive legislative bills are being watched.

The business of this meeting being accomplished, it was adjourned.

Respectfully submitted,

Roger W. Young

Roger W. Young,
Executive Vice President

BOARD OF DIRECTORS MEETING — 12 NOON, THURSDAY, APRIL 14, 1977
GREAT FALLS AREA CHAMBER OF COMMERCE — SCHELL'S TOWNHOUSE

PRESENT: ROWE, SOLBERG, KAUFMAN, CLARK, DECOLATI, FORZLEY, FRAZIER, REICHEL, SNOW, THAYER, HICKS, WHALEN, WILLITS, WIRTH, WRIGHT, CHIESA, MADSEN, BROWN, YOUNG. GUESTS: CHRISTINE RUFF, MR & MRS. FINN WALSTAD, AND SEVERAL REPRESENTATIVES OF THE SBA AND GENERAL SERVICES ADMINSTRATION, AND AVIATION COMMITTEE CHAIRMAN ELDON MCNICOL.

ABSENT: KENYON, DAVIDSON, DAVIS, RICE, SLETTEN, TAYLOR, TAYLOR, VERNON CLADOUHOS, ST. JERMAIN, OSTREM AND MCIMOYLE.

AWARD CEREMONY

The meeting was preceded with the presentation of the "Prime Contractor of the Year" Award for Region VIII to Finn Walstad, Nordak Industries by Mr. Ott Tshache, District Director, U. S. Small Business Administration.

APPROVAL OF MINUTES

It was moved, seconded, and carried that the Board of Directors minutes, March 10 and the Executive Committee minutes of March 9, 23 and 30 be approved as mailed.

FINANCIAL REPORT

In Kenyon's absence, Solberg reported that the mid-year financial report of the period ending March 31 showed that we are "on target" in every category. He noted that we have nearly dobled our dues income in the past two years. He moved, and Chiesa seconded a motion that the Financial Report be accepted. Motion carried.

Decolati moved and Forzley seconded a motion that new members Nos.70 through 126 be accepted. Motion carried.

Forzley moved and Willits seconded a motion that cancellations Nos. 38 through 47 be acknowledged. Motion carried.

Forzley moved and Willits seconded a motion that the Board accept a recommendation from the Budget and Finance Committee allocating $300 out of Board Contingency to fund a social hour in Lethbridge as part of a industrial tour to that community April 24, 25, and 26. Motion carried.

DEREGULATION OF AIRLINE INDUSTRY

Eldon McNicol, Chairman of the Aviation Committee was present to discuss Senate Bill 689---the Kennedy-Cannon bill---which would deregulate the airlines. He voiced real concern for the advisability of this action. Upon his recommendation Wirth moved and Chiesa seonded a motion that the Great Falls Area Chamber of Commerce oppose the Kennedy-Cannon Bill as written and ask the Congress to consider legislation which would assure quality air service to all Americans regardless of geographic location. Motion carried with Willits voting no.

EXECUTIVE ASSISTANT SEARCH

Young said that approximately 30 applications had been received for the position of Executive Assistant. The job description is being rewritten to provide for more responsibility, accountability and authority.

He hoped the job interviews could be completed and the job filled by the first of the month. Frazier said she hoped that local applicants would be given full consideration. It was noted that the Executive Committee will be assisting in the selection although final responsibility will stay with Young.

GREAT FALLS ALIVE

It was noted that the Public Relations Committee held an exciting introduction for the "Great Falls Alive" campaing, April 11 Poolside at the Heritage Inn. Rowe said he was very enthusiastic about the campaign and hoped that it would be successful in rekindling people's pride in their community.

MONTANA POWER GENERATING PLANTS

Forzely noted that after the Colstrip plants 3 and 4, Montana Power Company will be looking for additional sites and would like to construct one of them in the Great Falls area, but needs an invitation from the community. Rowe said that the matter would be discussed by the Executive Committee.

Respectfully submitted,

Roger W. Young,
Executive Vice President

6-17-86

Transp.

Falls-Havre air link sought on Big Sky

HAVRE (AP) — Some local business people and public officials have launched an effort to convince Big Sky Airlines to create a flight connection between Havre and Great Falls.

Big Sky currently has connecting flights between Havre and Billings and Havre and Lewistown.

But Mayor Don Driscoll said Thursday that most people flying out of northcentral Montana on business trips are heading north and west, so the current connections are basically going in the wrong direction.

"There's quite a market there," Driscoll said. "I think they would see more boarding (with flights to Great Falls."

Pat Keim, Burlington Northern's division superintendent, also said he thought a connection from Havre to Great Falls would be good for Big Sky's business.

"It would be profitable," Keim said. "But the connection simply doesn't exist."

He said that because of BN's recent reorganization, most railroad officials traveling to and from the Havre area will be headed to or from Spokane, Wash., instead of Billings.

Northern Montana College president Bill Merwin said he and Keim talked with Big Sky officials about the proposed connector flight, but the result was "somewhat negative."

Keim said Big Sky's position was that there would have to be a guaranteed daily flight load of four passengers in order to start the flight.

Keim said no one could guarantee how many passengers would board the flight daily, but he said the airline is losing potential customers as things now stand.

No Big Sky officials were immediately available for comment about the proposal.

70

Wendt Advertising

MARKETING ADVERTISING PUBLIC RELATIONS

July 29, 1986

Mr. Roger Young, President
Great Falls Area Chamber of Commerce
P.O. Box 2127
Great Falls, MT 59403

Dear Roger:

First, thanks very much for the nice congratulatory note and the recent clipping from the Tribune.

I also appreciate your general sentiment. I was aware that you had nominated me for the Ad Club award, and that meant a great deal. In fact, I tried on two occasions to telephone you and express that personally, but you were out and then I went traveling again and so it went.

On to business: I am dismayed at the decline in air service between Spokane and Great Falls. I have had on several occasions to fly people from Spokane to Seattle back to Great Falls to get them here for a staff meeting, and, conversely, fly people from Great Falls to Billings and then to Spokane. Big Sky simply does not have enough seats! We have also had the unfortunate experience of seeing them cancel a flight, June 7 from Butte where one of our people was attending a meeting, and thereby failing to meet a social/business obligation in Spokane. Hence, the last time I was in Spokane I sent a letter to the Chamber of Commerce executive there asking if they were taking any action with regard to contacting airlines in the hope of improving the service. Their response is attached.

When Continental, I believe, recently announced that they would begin serving Great Falls on September 15, I took the liberty of writing their area sales manager in Denver, urging that they extend service beyond Great Falls and to Spokane. I've had no response. I've also noticed in the newspaper that Horizon is to begin flying from Spokane to Missoula; they are using Metro Liners, unfortunately. We might suggest that they extend to Great Falls.

Are you hearing anything from the community, Roger, concerning the current level of air service between Great Falls and Spokane? Thanks for any information you can provide.

Sincerely,

WENDT ADVERTISING AGENCY

Stan Meyer
President

cmm

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TRANSPORTATION COMMITTEE 11:30 A.M., WEDNESDAY, AUGUST 13, 1986
GREAT FALLS AREA CHAMBER OF COMMERCE HERITAGE INN

PRESENT: GALVIN, WALSH, KEELER, WHITTMYER, WALKER, BELL, TESLOVICK, ZUCCONI, ATTWOOD, ANDERSON, OLSON, MILLER, HOLMAN, GOODOVER, YOUNG, PAUL, AND LABRIOLA AND SPECIAL GUESTS STAN MYER AND LYNDA PATRICK-HAYES REPRESENTING THE HAVRE AREA CHAMBER OF COMMERCE, JAY GOLIE (TRIBUNE) AND BOTH TV STATIONS WERE REPRESENTED

INTRODUCTIONS
Paul introduced Ms. Lynda Patrick-Hayes, executive vice president of the Havre Area Chamber of Commerce, who was invited to discuss support for changing Havre's airlink hub from Billings to Great Falls.

MINUTES
The minutes of the July meeting were approved as mailed.

NORTHWEST/REPUBLIC AIRLINES MERGER
Paul clarified the Chamber's position on the Northwest/Republic Airlines merger, since he had a phone call asking why the Chamber had not supported that merger. Paul reminded members and guests that the Chamber had not opposed the merger of Northwest/Republic Airlines but had simply asked questions in response to a letter from Brandes of Northwest asking for Chamber support. Young read the letter which the Chamber sent to Brandes. Young made it clear that the Chamber's letter to Northwest did not express any opposition to the merger, but merely expressed some concerns for potential reductions in freight carrying capacity.

IMPACT OF NORTHWEST SERVICE CHANGES

Freight Carrying Concerns
Paul asked for an update from members who had previously expressed concern for changes in airline freight carrying capacity as a result of Northwest service revisions. Galvin replied that he was no longer concerned about potential reductions because his company had identified an additional carrier who was able to provide the service at a competitive rate.

Airlink Seat Allocation
Paul reviewed some citizen concerns for diminished air service capacity between Spokane and Great Falls. He then called upon Mr. Stan Myer to outline his difficulties in obtaining seats returning to Great Falls from Spokane. Myer reported that following Northwest's elimination of air service from Great Falls to Spokane he had problems bringing some of his employees back via Big Sky. This had forced him to use round-about routes. As a result, Myer had changed his company procedures and was now making reservations as much as a week in advance. Myer asked if it would be necessary to make reservations with Big Sky two weeks in advance in order to insure timely round-trip air service between Spokane and Great Falls. Teslovick responded that when Big Sky took over the Northwest route to Spokane their flight service initially went through Missoula, which reduced some of the seating available.

Teslovick announced that starting September 2, a Big Sky flight would be added, non-stop to Spokane and back daily. Teslovick expressed some surprise that Big Sky had added the flight and expressed the hope that they would be able to fill it during the winter season. Paul explained that Marv Sunderland had also made a

strong complaint of the lack of seating capacity between Great Falls and Spokane. Paul said that Sunderland had felt the problem was serious enough that he stopped at Northwest headquarters in Minneapolis to complain about the lack of availability of seats. Paul also pointed out that he would personally be forced to drive visiting Japanese businessmen to Helena on the forthcoming Friday in order to obtain seats on a flight to Spokane.

Young said that the College of Great Falls had also reported similar problems. Teslovick said that the larger airlines are sometimes able to force the direction of passenger travel through large service hubs. These changes are beginning to happen with greater frequency because all of the airlines are adopting the hub concept. Teslovick pointed out that Northwest should have shifted into this concept of operation long ago. Teslovick expressed the wish that Northwest could provide continued service from Great Falls to Spokane. He wished there was an answer to the problem.

Attwood suggested that the major airlines did not always make their decisions based on complete information or correct understanding of the market. Attwood further suggested that it might be possible to persuade Northwest to reenter the Great Falls/Spokane market. He suggested another alternative might be to find an additional carrier to pick up the Spokane route.

Galvin reported that Marv Sunderland had urged a letter writing campaign to the president of Northwest, designed to persuade him to reinstate the route. Zucconi suggested it would be better to provide some boarding statistics in any communication with Northwest, rather than simply complain. Attwood said Northwest had already had sufficient data on passenger loading Great Falls/Spokane and that they had made their decisions to drop the service for other reasons. He reminded the committee that the survivability of Big Sky rests on is their ability to keep the Northwest Airlines segments they took over. Goodover suggested that what Montana and Great Falls is seeing now is what neighboring states have already seen in recent years as a result of deregulation. He added that it was inevitable that some small communities would suffer under deregulation. He pointed out that he felt Teslovick had succeeded in delaying the effects of deregulation for Great Falls because of his long tenure with Northwest and experts within the company.

Paul asked what action the committee wanted to take on the matter. He also suggested the committee encourage Big Sky to fill their aircraft to capacity and keep the Spokane market that would otherwise disperse to other modes of transportation over a period of time. Attwood suggested that instead of a complaint letter, the committee draft a positive letter to Big Sky on the subject. Goodover also suggested a letter to Northwest explaining that the Chamber understands the problem but would hope they would come back to the Great Falls/Spokane route if the situation should change.

Paul suggested a motion that the committee develop the positive letters that had been discussed. Paul's motion was approved by general assent of the committee.

GREAT FALLS TO HAVRE AIR LINK

Paul asked Linda Patrick-Hayes to explain the issue of a Great Falls to Havre airlink. Linda pointed out that although Havre's airlink hub is currently Billings, their community now has more people who desire to travel west. She further pointed out that with the recent Burlington Northern reorganization,

Burlington Northern officials in the Havre area were finding some difficulty in traveling to Seattle. Patrick-Hayes explained that Havre really looks toward Great Falls as a boarding point for major airlines and not Billings. She added that Havre people feel that if they were forced to make a choice between service to Billings and service to Great Falls that they would prefer to go to Great Falls. She then asked the committee to assist in developing support for a Great Falls/Havre air link. Attwood pointed out that there had been a Big Sky airlink between Great Falls and Havre but it had not been well received by Havre.

Patrick-Hayes said that she feels the situation is different now due to recent developments such as the Burlington Northern reorganization. She pointed out that as an example she alone had made six trips to Great Falls during the month of August to pick up Los Angles travelers. Young suggested that part of the earlier problem with the Havre/Great Falls airlink was high air fares. Teslovick agreed that was an interesting point because major air carriers should absorb part of the fares of connecting travelers if Great Falls was established as an airlink.

Goodover then moved that the Chamber express its support for Havre in their desire to establish Great Falls as the hub for a Big Sky airlink. Galvin seconded the motion. Paul said that the Transportation Committee and the Chamber would work with the Havre Area Chamber of Commerce to do what it could to establish the air link.

Respectfully submitted,

Mike Labriola

Mike Labriola
Executive Assistant

BOARD OF DIRECTORS 7 A.M., WEDNESDAY, SEPTEMBER 17, 1986
GREAT FALLS AREA CHAMBER OF COMMERCE MONTANA AIR NATIONAL GUARD

PRESENT: HARP, WENZ, DICKHOFF, AMMONDSON, RYAN, HOARD, VIGGO ANDERSEN, EVANS, DR PHILLIPS, MAYOR ANDERSON, STUDT, SUNDBERG, BOOTH, FRASER, COL BLAIR, GASVODA, MCDONALD, RUSSELL, YOUNG AND LABRIOLA

ABSENT: MATTEUCCI, GALVIN, REIQUAM, KUNTZ, ROBINSON, COL RINEBARGER, SHIELDS, WEAST, BENNETT AND VOEGELE

INTRODUCTIONS
This Board meeting was a true "traveling" Board meeting since it was held in Montana One, the MANG C-130 aircraft. Col Blair described the craft and the Montana 120th Fighter Interceptor Group. This airplane was originally to be decommissioned, he said, however it will not go into mothballs or be sold as government surplus.

APPROVAL OF MINUTES
The minutes of the previous Board meeting were approved as mailed.

ELECTION OF OFFICERS
Ryan moved and Viggo Andersen seconded a motion that the following slate of officers nominated by the Nominating Committee be elected:

Chairman of the Board - Warren Wenz
Chairman Elect - Art Dickhoff
Vice Chairman - Bob Reiquam
Secretary/Treasurer - Curt Ammondson
President - Roger W. Young

Motion carried unanimously.

EX-OFFICIO APPOINTMENTS
Hoard moved and Fraser seconded a motion that the following ex-officio members of the Board of Directors appointed by Chairman Elect Warren Wenz be confirmed to serve on the Board during the coming year. Such ex-officio members should be accorded full voting rights. Their presence may not be counted in determining the presence of a quorum.

Col Gary Blair, Montana Air National Guard
Col Teddy Rinebarger, 341st Strategic Missile Wing
Dr Bill Shields, College of Great Falls
Dr Jerry Weast, School District #1
Dick Gasvoda, Cascade County Commission
Mayor Roger Anderson, City of Great Falls

Motion carried unanimously.

COMMITTEE CHAIRMAN APPOINTMENTS
Wenz asked that the following be appointed as chairs for committees as follows:

Agriculture - Farrell Alleman, Norwest Bank
Business Education - Raymond Young, CPA
City County Government - Leonard Reed, Mather Realty

Leadership Great Falls Alumni - Greg Cunniff, (LGF81) Vemco Sales
Medical Services - Dr Paul Katherin, Great Falls Optometric Group
Membership - Bill Parker, First Interstate Bank
Military Affairs - Bob Sletten, Sletten Construction
Sports and Recreation - Bob Moretti, MAFB
State Legislative Action - Ken Hoovestol, Great Falls Realty
Tourism and Conventions - (TAC) JoAnn Roach, Heritage Inn

Fraser moved and Evans seconded a motion that the appointments be confirmed. Motion carried unanimously.

BOARD RETREAT PLANS

Young expressed concern that participation in the Board Retreat planned October 2 to Missoula was too small to justify the trip. Only 11 out of 28 Board members indicate they will attend. He said the anticipated meeting on Friday, October 3 with Missoula representatives will also come in conflict with an excellent program with the Montana Chamber of Commerce. Although he said he hadn't expected the State Chamber to do much at its meeting following the annual banquet, a program involving Kip Lily, regional manager of the US Chamber of Commerce, and a panel of trade association executives looking ahead to the issues of the 1987 Legislature, has been scheduled.

Ryan said he felt it important to go ahead with the retreat. He encouraged participation by committee chairmen and suggested that if necessary participants could car pool since the bus seems to be a major item of overhead. He said it appeared a large percentage of the new Board will be making the trip.

After more discussion, it was agreed to proceed with the planning for the retreat. Cost for attendance would be approximately $100 per person.

HAVRE/GREAT FALLS AIR LINK SUPPORT

The Board reviewed a recommendation from the Transportation Committee that the Great Falls Area Chamber of Commerce support the Havre Chamber in a request to Big Sky Airlines that it establish a Great Falls/Havre airlink. The Havre Chamber wants this instead of its present link to Billings. Havre Chamber Exec Lynda Patrick-Hayes said that a recent survey showed that Havre people feel that if they were forced to make a choice of service to Billings or service to Great Falls, they would prefer to go to Great Falls. Labriola said that he has discussed this possibility with Big Sky officials and they don't seem very receptive, but did say would petition the DOT for additional subsidized service between Havre and Great Falls. Labriola said that he doubted this could be achieved. Ryan said he hated to see the Chamber in the position of urging Big Sky to make what the airline obviously thinks is an unwise business decision.

Viggo Andersen moved and Wenz seconded a motion that the Great Falls Area Chamber of Commerce go on record as supporting the request of the Havre Chamber urging Big Sky Airlines to establish a Havre/Great Falls airlink. Motion carried.

LOSS OF NORTHWEST AIRLINES SERVICE

Young and Labriola reported that they had learned yesterday that Northwest Airlines will drop west bound flights out of Great Falls and three other Montana cities October 1 leaving Montana without major airline service directly west except through Billings. Billings will retain Northwest flights to Spokane but Helena, Bozeman, and Missoula will join Great Falls in losing west bound air

service provided by Northwest. Northwest says Big Sky Airline affiliated with it as Northwest airlink, will serve as a feeder airline with its 15 passenger, turbo prop planes taking passengers to Spokane and Billings where they can connect with other Northwest flights. Young said that the Helena Chamber has asked us to join them in protesting the Northwest decision.

Labriola said he had spoken with Northwest Station Manager George Teslovick who believes the stoppage to be "a temporary arrangement due to rescheduling of flights because of the Northwest/Republic merger...only the company president knows if it will turn out to be permanent". Teslovick said Northwest is late in making the streamlining moves. He said Northwest has carried only about 55% of the traffic to Seattle and Spokane, the rest goes through Salt Lake City or Denver anyway on United or Western. He suggested travel agencies often send people through Denver to get the higher commission. As a result of its recent merger, Northwest, he said, is putting more emphasis on the eastern cities. Sundberg commented that the reduction in service will also have an adverse effect on the post office since the mail service depends greatly upon good direct air service.

Fraser moved and Hoard seconded a motion that the Board of Directors of the Great Falls Area Chamber of Commerce go on record as objecting to the service reduction; and that it write to Northwest Orient Airlines; as well as publish the airline's address and encourage Chamber members to also write letters concerning the service reduction. Motion carried.

Ryan moved and Sundberg seconded a motion that the Great Falls Area Chamber of Commerce also communicate with Continental and Alaska Airlines encouraging them to investigate the possibility of Great Falls to Spokane and Seattle service. Motion carried unanimously.

Young asked if the Great Falls Chamber should join a Helena, Bozeman, Missoula coalition protesting the Northwest decision. Concensus of the Board was that Great Falls would do better if we go it alone. Viggo Andersen suggested that we might be successful in convincing Northwest to use some of the intermediate sized aircraft now available to it from Republic.

LAW ENFORCEMENT ACADEMY SUPPORT

Members of the Board of Directors were encouraged to attend a public meeting of the Joint Interim Subcommittee on the Law Enforcement Academy from 11 a.m. to 2 p.m., September 23 in Providence Forum at the College of Great Falls. Harp and Shields said it would be important that we have a good strong showing of support as a community for the CGF proposal. A smaller group of select leaders will participate in a steak fry beginning at 6:30 p.m. at the Ponderosa Inn.

AG EXPORT FORUM

Harp explained that on September 29 from 11 a.m. to 2 p.m., the Chamber's Ag Committee will hold an Export Forum in the Glacier Room of the Holiday Inn. Speakers will include John S. Wood, US consul and trade commissioner in Calgary, who will address "Canadian Opportunities for You and the Bi-Lateral Trade Talks". Cost of the Forum is $8. He encouraged Board members to attend.

NEXT MEETING

The next meeting of the Board of Directors will be held in conjunction with the Board of Directors Retreat October 2 & 3, 1986 in Missoula.

Roger W. Young

Respectfully submitted,
Roger W. Young, President

Trump

6A Great Falls Tribune
Sunday, September 21, 1986

Northwest Airlines dumps on Montana

During the past year Northwest Airlines boarded 42,687 passengers at Great Falls International Airport, the largest number of customers by any airline serving this city. That's an average of 117 passengers per day.

Not bad for a carrier which for 50 years has provided a vital east-west air link for Montanans, huh?

Well, it wasn't enough to satisfy Northwest.

Effective Oct. 1, the airline is dropping westbound flights from Great Falls, Helena, Bozeman and Missoula. It will maintain westbound service out of Billings to Spokane, but that's hardly convenient for Great Falls, Helena and Missoula people who want to travel to West Coast and overseas points.

The airline's eastbound service through Montana to Minneapolis, Chicago and the East Coast will not be affected by the Oct. 1 cutback. But Northwest is still pulling the plug on many Montanans.

Its successor for westbound traffic will be Big Sky Airlines, which recently became directly affiliated with Northwest as a feeder line. Big Sky took over most of Northwest's flights to and from Missoula this summer and has expanded its service to other cities in the state.

We think that eventually Big Sky will be able to provide good service. But its 15-passenger turboprop planes don't compare in size, speed or comfort to Northwest's fleet of jets.

Northwest's pullback is particularly troublesome because of Montana's increased emphasis on trade relations and tourist travel throughout the Pacific Rim. It also will put a crimp on some tourist travel into Montana and will affect, to a degree, mail links throughout the state.

It's ironic that while Montana now has solid north-south airline connections — something that was lacking in the earlier years of our aviation history — it is being forced into an adjustment in its traditionally strong east-west routes.

We don't like it. Northwest has soured relations with its friends and paying customers in the Treasure State.

We can't help but feel that Northwest may later pull all of its service out of Montana except perhaps for Billings.

/From the Rising Falls, Sept. 29, 1986/

AIR SERVICE TO SPOKANE RIPPED

Members of the Great Falls business community complained at a recent meeting of the Chamber's Transportation Committee that air service to Spokane has deteriorated.

They told representatives of Northwest Orient Airlines that its new "airlink" arrangement with Big Sky is providing insufficient seating to accommodate demand. The result is often an inability to make reservations. Often travelers are finding circuitous routing necessary in order to get to and from Spokane.

Northwest Airlines dropped its two daily flights between Great Falls and Spokane in early June. Big Sky then became a part of Northwest's Air Link program and its flights are scheduled to connect with Northwest flights.

Big Sky has two direct daily flights to and from Spokane and one flight that stops in Missoula on the way.

The Transportation Committee heard concerns that Big Sky's smaller-plane service is not acceptable to many travelers who prefer the larger carriers because of comfort and perceived safety advantages. The Chamber has, however, acknowledged the rightful place commuter aircraft have in the marketplace. Airport Manager Joe Attwood says, "This state desperately needs a commuter airline to serve these small cities."

It was the opinion of the committee at the meeting's conclusion to communicate our concern to Big Sky and Northwest that carrying capacity be increased to meet the demand. "We don't want the traffic traveling between Great Falls and Spokane before Northwest dropped its service to be eroded," said Committee Chairman George Paul.

Chamber members who have complaints about the adequacy of service should communicate directly with the airlines, Paul said.

Following the meeting on September 10, Big Sky added a third 15 passenger flight to Spokane. A non-stop, it arrives in Great Falls at 1 p.m. and returns to Spokane 15 minutes later.

GREAT
FALLS AREA
CHAMBER OF COMMERCE

P.O. BOX 2127
926 CENTRAL AVENUE
GREAT FALLS, MONTANA 59403
(406) 761-4434

September 30, 1986

Mr. Steven G. Rothmeier
President
Northwest Orient Airlines
Minneapolis-St. Paul International Airport
St. Paul, MN 55111

Dear Mr. Rothmeier:

This letter is to voice the concern of the Great Falls Area Chamber of Commerce over your withdrawal of air service from Great Falls to the west. As representatives of business interests we can understand full well that routings must be profitable in order for you to continue them, and we would never ask you to make an obviously bad business decision. However, we believe that there is a great need in our community for flights to the West, especially to Spokane and Seattle.

As regional trade centers, there are large numbers of people who move back and forth, daily between Great Falls, Spokane and Seattle. There is certainly a large quantity of mail which needs to be transported between these locations, to say nothing of the supplies and parts and materials that must go in the cargo bays of the jet aircraft.

At this point the Big Sky/Northwest Airlink that we have is inadequate since the number of seats allocated for Great Falls passengers is often insufficient, as is the cargo space to ship bulky material. We wonder if there isn't, between the large jet aircraft and the small two engine turbo props, some happy medium that you could use to provide better service to Great Falls.

We would like to think of ourselves as a hub in the air traffic system. Prospects for a new military mission at Malmstrom Air Force Base, the 1988 Winter Olympics, trade with the Pacific Rim and development of retail component of our regional market center are all combining to set Great Falls apart as a major

Montana community worthy of being a hub. We do not feel that Denver and Salt Lake should be our only alternatives for east-west jet travel. It is far too expensive and far too time consuming to be acceptable to this community. In view of your decision to abandon westbound jet service from Great Falls, we will pursue other alternatives.

Since your announcement dropping direct service to Spokane, and more recently to Seattle, our office has heard numerous protestations from the local business community about your decision. We hope you will reconsider what you have done. We are sure other competing carriers will look at the service void that has been created and quite possibly move in to restore the service.

Northwest Orient Airlines has been very good to Great Falls and Montana over the years and we are grateful. No one could have asked for a better friend and partner. We ask you to not abandon us now or relegate Great Falls to becoming a second class airport. Thank you in advance for your kind consideration of Great Falls as an improved air service center. We look forward to hearing from you.

Very truly yours,

Bill Harp
Chairman of the Board, 1985-86

cc George Teslovick, Great Falls Northwest Station Manager

[From the Rising Falls, Oct. 13, 1986]

NORTHWEST ORIENT URGED TO RECONSIDER SEATTLE SERVICE

The decision of Northwest Orient Airlines to discontinue direct west-bound service out of Great Falls to Seattle has been questioned by the Board of Directors of the Great Falls Area Chamber of Commerce.

The Board voted to ask the airline to reconsider its position and asks Chamber members adversely affected by the decision to write their concerns to Northwest Orient.

In a letter to Steven G. Rothmeier, president of Northwest Airlines, the Chamber said it didn't want to pressure Northwest into a bad business decision, but argued that it may have been a mistake to drop its service. The Chamber's letter cited the importance of mail service; parts, supplies, materials and cargo; and large west-bound passenger potential. Also mentioned were prospects for the new MAFB flying mission, the 1988 Winter Olympics, trade with the Pacific Rim, etc.

"Northwest Orient Airlines has been very good to Great Falls and Montana over the years and we are grateful!" The letter said. "No one could have asked for a better friend and partner. We ask you to not abandon us now."

"We wonder if there isn't, between the large jet aircrafts and the small two engine turbo props, some happy medium that you could use to provide better service to Great Falls," it said.

The Board acknowledged that it is the marketplace that will decide if Great Falls really merits better service to the West Coast. If the demand is there, it can be expected that other carriers will move in to fill any void that may have been created.

Consequently, we are publishing below the names of all affected airlines. Chamber members who see a need for improved service should exercise their own initiative to tell Northwest or its competitors their story.

Alaska Airlines and Continental have reportedly expressed some interest. United and Western each provide service through Denver and Salt Lake City respectively, and Big Sky is the existing Airlink with Northwest Orient. Each has a part to play in this very tricky equation.

ALASKA
Bruce R. Kennegy
Chairman
Alaska Airlines Inc.
Box 68900
Seattle, WA 98168

BIG SKY
Terry D. Marshall
President
Big Sky Airlines
Box 31397
Logan International Airport
Billings, MT 59107

CONTINENTAL
Francisco A. Lorenzo
Chairman of the Board
Continental Airlines Corp.
Box 4607
Houston, TX 77210

NORTHWEST
Steven G. Rothmeier
President
Northwest Orinet Airlines
Minneapolis-St. Paul
International Airport
St. Paul, MN 55111

UNITED
Richard J. Ferris
Chairman
United Airlines Inc.
Box 66100
Chicago, IL 60666

WESTERN
Robin H.H. Wilson
President
Western Airlines Inc.
Box 92005
6060 Avion Drive
Los Angeles, [illegible]

GREAT
FALLS AREA
CHAMBER OF COMMERCE
P.O. BOX 2127
926 CENTRAL AVENUE
GREAT FALLS, MONTANA 59403
(406) 761-4434

COPY

October 17, 1986

F.Y.I.

Individual letters to:

Richard Ferris United Airlines	George Teslovick Northwest Airlines	Wes Carahasen Continental, local
Robin Wilson Western Airlines, Inc	George Miller Western Airlines	Al Fisher United, local
Francisco Lorenzo Continental Airlines Corp	Steven Rothmeier Northwest Airlines	

Attached, FYI . . .

is a letter that the Great Falls Area Chamber of Commerce received recently from a very concerned member who voices dissatisfaction with air service to Spokane and Seattle. I thought his story was well told, and in case he hasn't told it to you directly, I thought I should pass it on to you.

I do hope, on behalf of the Great Falls Area Chamber of Commerce and our many members, that you will react positively to Mr. Downer's criticism and suggestions. We believe strongly that air service from Great Falls to points west needs definite improvements.

Very truly yours,

Roger W. Young
President

OFFICE OF ADMINISTRATION

COLUMBUS HOSPITAL · ESTABLISHED IN 1892 BY SISTERS OF PROVIDENCE
500 15th AVE. SO. P.O. BOX 5013, GREAT FALLS, MT. 59403 (406)727-3333

October 15, 1986

Mr. Roger Young, President
Great Falls Chamber of Commerce
926 Central Avenue
Great Falls, MT 59401

Dear Roger:

As you try to build a case for improved air service between Great Falls and Spokane, please add me to the list of people who are greatly dissatisfied with the present setup. Like many others, I have found the "cigar tube" small planes barely acceptable during the reasonably good spring, summer, and early fall weather. I have learned to take only carry-on luggage on Big Sky because I have seen them put other people's checked luggage off the plane when it is carrying a full load of passengers. This kind of hassle comes at $258 per round trip if tickets are purchased well in advance.

With our corporate headquarters being in Spokane, I and other members of the Columbus Hospital staff, as well as a number of Sisters of Providence, need to travel on a fairly regular basis between Spokane and Great Falls. With the coming of winter and bad weather a number of us have been considering taking Western via Salt Lake City despite the added time. You can imagine my chagrin to find that the round trip fare on Western to Spokane via Salt Lake City is $560, even with booking more than 30 days in advance. Frankly, I do not understand the Western pricing system. I have been able to obtain greatly discounted fares for travel during the week to Los Angeles and San Diego, but apparently for this particular fare they charge on the basis of Great Falls to Salt Lake City and Salt Lake City to Spokane, rather than having some kind of discounted fare available. This seems like an attempt to push business to Big Sky. The other alternative is to fly to Billings to go to Spokane on Northwest. That costs $418.

For the next six months driving to Spokane is not an alternative, and despite their good safety record, I feel very nervous on Big Sky during bad weather. We must work out some way to get larger aircraft on that run regardless of airline. Ideally, United might be interested in extending their flight from here into Spokane where they already have a mini-hub. As you and the Chamber of Commerce continue to work on this problem, count me in as one who will provide strong support for a better solution than we now have.

Sincerely,

Bill

William J. Downer, Jr.
President

WJD:js

The Great Falls Market

The Great Falls market is a 14-county region in north-central Montana. Adults age 18 and over within this area were interviewed for the Great Falls Market Study.

A large share of households, jobs, and shopping options within the Great Falls market is concentrated in Cascade County, where Great Falls itself is located. Forty-five percent of the adult residents of the 14-county region live in Cascade County. Seventy-two percent of adults in Cascade County live in Great Falls.

The 14-county Great Falls market ranks 199th in the nation in population, 195th in number of households, and 209th in total retail sales.

14-County Great Falls Market

	1984 Rank	Market Total	Per Household
Population	199		
Households	195		
Effective Buying Income	210	$ 1.61 Billion	$24,410
Total Retail Sales	209	922.3 Million	13,705
General Merchandise Sales*	270	87.6 Million	1,301
Department Store Sales	N.A.	N.A.	N.A.

*Includes department store sales.

Methodology

Sample Design and Survey Area

The Great Falls Market Study reports findings about adults age 18 and older who live in telephone households in the 14-county Great Falls market area. The 14-county area is equivalent to the Great Falls Area of Dominant Influence (ADI). Cascade County, where Great Falls itself is located, coincides with the Great Falls Metropolitan Statistical Area (MSA).

The survey was conducted under the auspices of the Market Development Department of Cowles Media Company. The Great Falls Tribune is an operating unit of Cowles Media Company.

Random digit dialing procedures were used, thus generating a sample of both listed and unlisted telephones. Every telephone household in the Great Falls market area had a known chance of selection.

Survey Procedures

This study was conducted in two parts using two different research techniques: telephone and mail surveys. The telephone phase was administered September 18 through October 8, 1985. Within households, the adult respondent was chosen by a statistically unbiased method. Thus, every adult in the household had a known chance of selection. A total of 1200 telephone interviews were completed in the market area. The 14 Montana counties comprising the area include Blaine, Cascade, Chouteau, Fergus, Glacier, Hill, Judith Basin, Liberty, Meagher, Phillips, Pondera, Teton, Toole, and Valley.

Telephone interviews were conducted by experienced professional interviewers at Project Research, Inc. of Minneapolis, Minnesota. In cases where the respondent was not at home, up to four call-backs were made to obtain an interview; no substitutes were allowed. Each telephone interview lasted an average of 23 minutes.

After completing the telephone interview, each respondent was asked for his/her name and address so that a follow-up questionnaire could be mailed to him/her. Ninety-one percent of the 1200 respondents agreed to this request. Over a seven-week period beginning September 27, 1985, a total of 866, or 72 percent of the 1200 adults, returned the mail-out, mail-back shopping survey.

Once the telephone and mail surveys were completed, the sample was weighted to compensate for minor deviations from the age and sex distributions reported by the U.S. Bureau of the Census. The weighted respondents totaled 1264.

Tabulation and Analysis

Interview results were projected to the total adult population of the Great Falls market of 129,200, as reported by the U.S. Bureau of the Census.

On a sample of 1264, the sampling error is plus or minus three percent. On the subsample in Cascade County of 587, and the subsample of 677 outside of Cascade County, the sampling error is plus or minus four percent for each area. Sampling error is the most measurable form of survey error. The sampling variabilities should be considered when results are compared with each other.

Detailed tabulations and multi-variate analyses were then conducted by the Cowles Media Company Market Development, using the programs and systems support of SAS Institute, Cary, North Carolina.

Throughout the study, results are reported in rounded numbers. Because of this and because of multiple and non-responses, rows and columns may not always add to 100 percent.

In this report, persons called shoppers represent people who responded that they had purchased when asked the question: "How recently have you **bought** items from (name of store)?"

Newspaper readership data resulted from responses to the question: "What daily newspapers have you read in the last week?" The volunteered responses were further probed by asking: "Did you read the (name of newspaper) (the previous day)?" In the case of Monday interviewing, the previous day named was Saturday. For Sunday readership, respondents were asked: "What Sunday newspapers have you read or glanced at in the last four weeks?" Their volunteered responses were further probed by asking: "Did you read last Sunday's copy of (name of newspaper)?"

UNIVERSE:	ADULTS, AGE 18 AND OLDER
METHOD OF INTERVIEWING:	TELEPHONE AND MAIL
NUMBER OF INTERVIEWS:	1200
AREA:	14-COUNTY GREAT FALLS MARKET AREA
DATES OF FIELDWORK:	SEPTEMBER-NOVEMBER, 1985

Market Profile

The Great Falls Market Study is a survey of adults — some 129,200 people age 18 and over who live within the 14-county area.

These highlights, and the table which follows, look at market area adults in terms of their demographics — age, sex, income, education, occupation, and other measureable characteristics. These characteristics help determine the market size and potential for particular products, stores or services. Demographics are the first step indentifying consumer behavior.

Age

Adults under 35 years of age represent 39 percent of the adult market, while adults 55 years or more of age account for 30 percent of the adult market.

Sex

Forty-eight percent of the market's adults are male; 52 percent are female.

Race

Three American Indian reservations are located inside the 14-county Great Falls market area. Seven percent of the area's total adult population is American Indian.

Household Income

Forty-two percent of the households in the 14-county area have annual household incomes of $20,000 or more. One-fifth (20%) have incomes of $30,000 or more. Forty percent of Great Falls market area households are comprised of two-income husband/wife families.

Education

Eighteen percent of the area's adults are college graduates. Forty-five percent have had some college education.

Occupation

Thirty-nine percent of the market's adults hold white collar jobs, classified as professional/managerial and technical/administrative support/sales. Production/labor jobs are held by 12 percent. Nine percent of adults hold jobs classified as service occupations. Seven percent of Great Falls area adults are employed in farming/forestry/fishing, and another five percent are in the armed services. Forty-two percent of adult women in the Great Falls market area are employed outside the home. Twenty-four percent are homemakers.

	Total ADI Population		Cascade County		All Other Counties	
	#	%	#	%	#	%
30. How often would you say you typically go out for dinner in a restaurant or for other entertainment in Great Falls?						
Once a week or more	35,740	28	32,633	54	3,107	5
Once a month or more	36,709	28	19,996	33	16,713	24
Several times a year	30,455	24	5,094	8	25,362	37
About once a year	15,123	12	1,643	3	13,480	19
Not at all	10,975	8	660	1	10,315	15
Don't know	98	<1			98	<1
Refused	97	<1			97	<1
31. During the past 12 months, did you take any airline trips departing from or arriving at the Great Falls airport?						
Yes	39,903	31	25,177	42	14,726	21
No	89,191	69	34,848	58	54,349	79
Refused	97	<1			97	<1
31A. How many times did you fly out of the Great Falls airport in the past 12 months?						
0	482	1	482	2		
1	17,761	45	10,280	41	7,481	51
2	10,111	25	6,361	25	3,750	25
3	4,835	12	3,583	14	1,252	9
4	2,112	5	1,092	4	1,020	7
5	1,343	3	931	4	412	3
6	1,760	4	1,214	5	545	4
7	248	<1	91	<1	157	1
8	117	<1	117	<1		
9	118	<1	118	<1		
10	224	<1	117	<1	108	<1
12	351	<1	351	1		
15	233	<1	233	<1		
20	117	<1	117	<1		
Don't know	91	<1	91	<1		
32. Do you use medical or dental services located in Great Falls?						
Yes	81,713	63	51,560	86	30,157	44
No	46,664	36	7,974	13	38,690	56
Don't know	296	<1	90	<1	206	<1
Refused	519	<1	401	<1	118	<1
33. Would you consider yourself to be the principal food shopper in your household?						
Yes	81,117	63	39,417	66	41,704	60
No	47,317	37	20,374	34	26,943	39
Don't know	651	<1	235	<1	417	<1
Refused	108	<1			108	<1

Market Profile

		14 county market		Cascade County		Outside Cascade Co.	
		No. of Adults	%	No. of Adults	%	No. of Adults	%
Total Adults		129,000	100	58,100	100	71,000	100
Sex	Male	62,400	48	27,700	48	34,700	49
	Female	66,800	52	30,400	52	36,400	51
Age	18-24	21,000	16	11,600	20	9,400	13
	25-34	29,900	23	13,200	23	16,700	24
	35-44	22,900	18	11,100	19	11,800	16
	45-54	17,100	13	6,800	12	10,300	15
	55-64	16,700	13	6,100	10	10,600	15
	65-69	7,800	6	3,100	5	4,700	7
	70 +	13,800	11	6,200	11	7,600	11
Household Income	Under 15K	40,400	31	20,000	35	20,400	28
	$15K-$19,999	20,700	16	9,100	16	11,600	16
	$20K-$29,999	28,900	22	12,400	21	16,500	23
	$30K +	25,800	20	11,400	20	14,400	20
	Two-income Households	51,600	40	22,300	38	29,300	41
Education	Less than H.S.	17,200	13	6,200	11	11,000	16
	High School/G.E.D.	54,100	42	26,300	45	27,800	39
	Some College	34,900	27	15,200	26	19,200	28
	College Graduate	22,800	18	10,300	18	12,100	18
Marital Status	Married	85,600	66	37,300	64	47,100	68
	Never Married	17,700	14	8,000	14	12,700	18
	Sep./Div./Wid.	25,700	20	12,600	22	9,400	14
Household Size	One Person	24,400	19	10,100	17	13,900	20
	Two Persons	43,400	34	21,300	37	21,400	31
	3-4 Persons	46,400	36	21,000	36	24,700	36
	5 + Persons	14,600	11	5,600	10	8,900	13
Children Present	No	72,800	56	33,000	57	39,800	56
	Yes	56,400	44	25,100	43	31,300	44
Occupation	In Labor Force						
	Mgr./Prof.	17,000	14	6,300	11	10,700	15
	Tech./Sales/Admin.	19,400	16	9,800	17	9,600	13
	Service	11,100	9	4,900	9	6,200	9
	Prod./Laborer	15,800	12	7,000	12	8,800	12
	Armed Services	5,900	5	5,900	10	-0-	-0-
	Farm/Forest/Fishing	9,700	7	1,000	2	8,700	12
	Laid off/Unemployed →	5,900	5	3,500	6	2,400	3
	Not in Labor Force						
	Homemaker	16,200	13	7,300	12	8,900	13
	Retired	23,500	19	10,400	18	13,100	18
	Student	2,400	2	700	1	1,700	2
	Working—Part Time	11,700	23	4,500	21	7,200	24
	Working—Full Time	39,100	77	16,200	79	22,900	76
Type of Dwelling	Single Family	106,400	82	42,400	73	64,000	91
	Multi-Family	20,900	16	14,400	25	6,500	9
Tenure	Own	90,300	70	36,200	62	53,400	76
	Rent	32,900	25	18,400	32	14,500	20
	Live Rent Free	5,500	4	3,000	57	2,500	3

Senator BAUCUS. I appreciate that. You have been sitting here patiently. Do you have any solutions to all this?

Mr. PAUL. Not necessarily solutions, but we can cut some of the meat from the bones here. What will happen under deregulation, nobody can answer. I can tell you if I was in a position of opening a big company or making these decisions, I would keep the most profitable routes and cut the rest. Most of us would do that. If you are making business investments, you make your decisions based on what gives you the best profit.

Part of the problem we get into is decisions are made by corporations based on what is good for the company, not on what necessarily is good for the public it serves. That goes without saying.

A couple things on questions and answers that were asked. Someone mentioned about smaller aircraft; that there is only psychological resistance. That is not correct. Small aircraft require more, that is heavier, fuel loads during bad weather in this area. Passengers have been told they cannot check luggage because of this condition. They have even been stopped from taking carry on bags.

This is more than psychological resistance, and should be weighed accordingly.

Is overall service better or worse? Dad always taught us if you get more of something, it is usually better; if less, worse. I think the overall service is worse. We have to step back from the Great Falls perspective, which we usually try to put forward; maybe step back to the State of Montana level and take a look. Has our service improved? Prognosis for the future? The hub concept, which is what everybody is doing—what does that mean for Montana?

Go back to the original question. What would I do under deregulation? I would form a hub. I don't have to get customers; let somebody bring them to me in Salt Lake, Denver, and Minneapolis. I think the hub concept is wonderful if you happen to be on the corporate perspective.

On the other hand, if you are flying from Great Falls to Kalispell and go through Salt Lake City to do it, you may not think it is a hot deal.

Also, in terms of whether service has improved, it may have improved from the tourist industry standpoint. Based on earlier testimony, I would understand that. But from the standpoint of whether it has improved for people who live in Montana? We are the ones who live here every day. We do business here. Has service improved for us?

The last thing that is most difficult for anybody to handle, we sit here and ask for adequate service—but what is adequate? That is where the rub comes, I believe. What is adequate is basically what you will accept. What will you accept in terms of comfort, safety, cost? Maybe, say, convenience of flying. That is a judgment call.

We could argue with the previous panel for several hours. Overall, we can't quantify this, necessarily. Overall, the question is, has service gotten better? The answer is no, it hasn't. There is more to service than statistics they might quote you in terms of number of flights. Service encompasses it all—comfort of the aircraft, the feeling you get when you get on. I don't think service has improved.

Senator BAUCUS. George, I agree.

Mr. PAUL. I formed one opinion. If the hub concept stays in, I think there are positive benefits of that; perhaps smaller aircraft in some areas might work. The airline industry has a responsibility of making decisions about where the 15-passenger plane fits, where the 37-passenger plane fits. It may be all right to service Havre to Great Falls with a metroliner. If you try to service Great Falls to Spokane or Great Falls to Seattle with a metroliner, it creates problems.

Senator BAUCUS. That is the down side of the hub concept as applies to service of people who fly. It is great for the airlines, depending on where you are going. It can be inconvenient.

Mr. PAUL. And the airline, their cost of servicing areas—they don't want to service a short run with a big aircraft. Somewhere within those two parameters, servicing the area profitably and providing adequate service to people in those communities, there has to be room for common ground that provides the community with good, adequate service through proper aircraft so that they can make a profit.

Senator BAUCUS. You should have been our leadoff witness.

Another thing, if we go to five or six major airlines, the more distant they will be to us in the State—Northwest, Republic. Bigger out-of-State corporations are more interested in making a profit. If five or six carriers control things with air links out there, it is more distant.

Mr. PAUL. One more comment, and this is a gut feeling. Some people think or believe that Northwest service dropped off after the merger. The suggestion has been made that the basic problem with Northwest in Montana after the merger—is that Republic management people, who are not familiar with Montana and the Montana situation, that they are basically making those decisions which have to do with Northwest service here. I don't know if that is correct or not.

What bothers me, if that logic is valid—does it mean that the company we are the most proud of in Montana, Big Sky Airlines—once they become part of the air link, does the decisionmaking process of the regional airline stay at the regional level, or go beyond that to the larger corporate, more distant headquarters? I offer that as a comment. If that is the case, to help the situation along, we need to encourage dialog today and get the people who are now the new decisionmakers—to get those people in here to give them testimony about the uniqueness of Montana, the 800-mile distance from border to border. Get people in here and encourage them to understand Montana's uniqueness.

Senator BAUCUS. Thank you for coming, and all the other witnesses. Some came a great distance, and I appreciate it. Thank you for coming.

[Whereupon, at 11:15 a.m., the committee was recessed, to reconvene at the call of the Chair.]

APPENDIX

GREAT
FALLS AREA
CHAMBER OF COMMERCE

P.O. BOX 2127
926 CENTRAL AVENUE
GREAT FALLS, MONTANA 59403
(406) 761-4434

October 29, 1986

Senator Max Baucus
107 5th Street North
Great Falls, Montana 59401

Dear Senator Baucus:

As chairman of the Great Falls Tourism Advisory and Convention Committee, I feel the need to address my concerns regarding changes with the airline service to Great Falls. I also voice my opinion as Director of Sales for the Heritage Inn, being personally involved with tourism for Great Falls and Montana.

Our economic growth would be affected by airline change in several areas, such as corporate traveling. We at the Heritage have consistent customers from Salt Lake City, Denver, Seattle, Portland, Spokane, Los Angeles, etc.

Another area would be convention business. Being so centrally located, national and regional speakers are flown in daily, either for local conventions and seminars or to make connecting flights to other cities in Montana.

Our tourism growth would also be affected because we have several motorcoach tour companies that fly into Great Falls and travel throughout Montana and Canada. Also we have had occasions when as many as 50 bus passengers have completed their Montana tour and have flown home from Great Falls.

Just this past week I completed preliminary arrangements to work with a travel agency that will fly Japanese customers to Great Falls and then tour Montana by motorcoach.

We also see several of our local ranchers and outfitters who need to fly their out of state customers into Great Falls. One outfitter has reservations for over 70 out of state hunters this season alone.

Our future marketing plans include considering Great Falls as the Gateway to the Olympics in 1988. Ever since we lost our Calgary connection, our opportunity to fly passengers to Europe and Hawaii via Canada has vanished. Let's work together to open the gate once again to our neighbors to the North for trade and tourism.

In closing, I ask you to consider our present situation and how much we rely on the airlines. It is vitally important that we retain what services we presently have, and we hope to obtain more in the future.

Kind regards,

JoAnn Roach

JoAnn Roach, Chairman
Tourism Advisory and Convention
Committee

JR/jt

Bozeman Area Chamber of Commerce

October 28, 1986

Western Airlines
Robin H.H. Wilson
President
Western Airlines, Inc.
Box 92005
6067 Avion Drive
Los Angeles, CA 90009

Dear Mr. Wilson:

The continuing changes in the airline industry are causing concern and fueling the fear that declining air service for Bozeman and Montana is in the near future.

Gallatin Field is a very well used airport with boardings up 35% thus far in 1986. We can not afford to lose essential service. The quality and frequency of service is a top selling point for our area, in our business recruitment efforts as well as for tourism industry growth; both of which are top priority to the economic health and well-being of the Bozeman area.

We understand that the marketplace will determine our level of service, but we encourage you to look at the existing usage and examine closely the potential of lost service and the effects of their changes on the local economy and business climate.

We want to continue to be partners with you as in the past and offer any assistance to you in order to assure the service to the Gallatin Valley in the future.

Sincerely,

Lou Spain
President
Bozeman Area Chamber of Commerce

Darla Joyner
Executive Vice President & CEO
Bozeman Area Chamber of Commerce

CC:
Governor Ted Schwinden
Gallatin Airport Authority, Jim Taylor President
Gallatin Field, Ted Mathis Manager

120 E. Main St. • P.O. Box B • Bozeman, MT 59715 (406) 586-5421
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ATTORNEYS AT LAW

199 W. PINE • CORNER OF PINE AND RYMAN
P.O. BOX 7909 • MISSOULA, MONTANA 59807-7909
AREA CODE 406 728 1200

October 27, 1986

Senator Max Baucus
Room 183, Dirksen Bldg.
Washington, DC 20510

Dear Senator Baucus:

We are delighted to learn that you are conducting hearings on the current status of airline service in Montana. As you may imagine, with twenty-three active lawyers in our office our need for adequate, reasonably priced air service is substantial. On behalf of all of us at Garlington, Lohn and Robinson, let me say that the present air service to and from Missoula is deplorable.

Two recent events have created this situation. First, Frontier Airlines went bankrupt, leaving Western Airlines as Missoula's only direct link to southern destinations. Then shortly thereafter, Northwest Airlines withdrew all west bound and virtually all east bound service from Missoula. This action is bewildering. Northwest has served this community for many years as our only east-west carrier; and just before the reduction in service, the number of Northwest passengers boarding in Missoula each day was substantial.

In place of Northwest jet service, we have been given 16 passenger prop-jet service by Horizon and Big Sky Airlines. This is completely inadequate. Because of the extremely limited seating capacity, one must reserve space to Billings or Spokane three weeks in advance. As you know, in our profession such advance notice of our travel needs is a luxury we seldom enjoy.

Even if we can manage to obtain a reservation on one of the commuter lines, the baggage limitations are such that we may have

to choose between taking our files or our clothes, but not both. If there is not room for baggage on a small plane, the airlines say they will put it on the next available flight. Imagine how well that works when you transfer in Spokane or Billings for the next leg of your trip!

The loss of Frontier and the abandonment of Missoula by Northwest has not gone unnoticed by Western. It has not increased its service. Instead it has raised the practice of overbooking to a fine art, and has virtually eliminated previous discount fare packages. The results are absurd. This past Wednesday night I was part of the tired masses trying to board the evening Western flight from Salt Lake to Missoula. The scene at the gate resembled the Battle of the Little Big Horn, as irate, overbooked passengers encircled the beleaguered boarding agent, and threatened violence to him and one another.

Another example of our problem occurred a couple of weeks ago when one of our partners learned late in the week that he was required to be in Billings on Monday. He was informed that in order to fly from Missoula to Billings on either Big Sky or Horizon, he would have to leave the preceding Friday. His only option was to take Western to Salt Lake City, and then take Western back from Salt Lake to Billings. The round trip fare would be $776! At the same time that Western wanted $776 to go from Missoula to Billings and back, it was selling round trip tickets from Missoula to Honolulu for $558! A cynic might conclude that this is Western's manner of exploiting Missoulians who have no alternative service available.

You know better than we that Montana's economy needs help. The current deficient airline service is exacerbating the problem enormously. Can you imagine a new business deciding to locate in Missoula while there is no adequate air service available? We are advocates of free enterprise, but when virtual monopolies exist, those providing an essential service must be made to recognize their obligations to others who are forced to depend upon them. We implore you to use all of your influence to improve the air service to Missoula.

We are sending duplicate originals of this letter to your Missoula and Washington offices in the hope that one reaches you before the

hearing. Please include these comments in the hearing record. We would have appeared in person to testify, but our poor air service prevents us from doing so.

Thank you for your concern.

Very truly yours,

Lawrence F. Daly

Geo. L. Tracy Co.
Food Brokers
910 1st Ave. N.-P.O. Box 1687
Great Falls, Montana 59403
406-727-1050

October 31, 1986

Senator Max Baucus
United States Senate
Washington, D.C. 20510

Dear Senator Baucus:

Our mutual friend, Al Donahue, told me of your visit to Great Falls and particularly to the airline hearing.

An example that might be of interest -- one of our principals, who was scheduled to come into Montana for a meeting has now changed his mind and has asked me to attend his meeting at the airport in San Francisco so that he would not have to fly from Seattle to Montana via Big Sky Airlines, due to the size of the plane.

This is usually a routine trip into Montana for this principal, where he comes in from a Seattle/Spokane visit, but since learning of our air service, has cancelled his trip to Montana.

We sincerely agree with your desire to correct the airline problem in Montana and I hope this example will be of some help.

Kind regards.

Yours very truly.

GEO. L. TRACY COMPANY

Robert S. Maronick

RSM/bhs

Member of Marketing Service Associates

October 22, 1986
Brady, Montana

Northwest Orient Airlines
Customer Relations Division
Mail Stop 525
Minn.--St. Paul
International Airport
St. Paul, Minn. 55111

Dear Sir;

We made reservations to fly to Vancouver for Expo 86 in June with the expectations of flying on one of your regular planes. To cancel later would have been almost financially impossible. The flight particulars were as follows.

NW Orient--71 Sep 26 Friday Great Falls to Seattle
NW Orient--1541 Seattle to Spokane, Oct. 1
NW Orient 3863 Operated by--Affiliated Carrier
Spokane to Great Falls

When you decided to take your regular planes out of Montana, we were not offered a chance to cancel with our full fare returned or a reduced price on the change of planes.

To get on the plane in Spokane, we went down flights of stairs onto a runway and walked over a block to our plane. I'm glad it wasn't snowy or icy, what do you do then?

The plane was the dirtiest one I've ever been on. The seat fabric was not only filthy but tattered and torn. Some seats cushions were so worn out, passengers were setting on bare boards for the seats.

We feel we were taken advantage of as we had no choice but to sit in this filthy plane. I wonder if the pilot and mechanics were chosen with the same regard for passengers as the condition of the interior of the plane.

We will not fly on any Northwest Plane after this unfortunate experience. We are hoping, however, you would repair and upkeep these planes after knowing the condition they are in, assuming the other Big Sky planes are similar to this one and hope other passengers will not be subjected to the same treatment.

Two dissatisfied passengers,

Peggy Lowe

Peggy Lowe
Box 165
Brady, Montana 59416

Charlotte Seidler

Charlotte Seidler
Brady, Montana 59416

CC: Senator Max Baucus
Senator John Melcher
Representative Ron Marlenee
Representative Pat Williams
Betty Warwick, Trave Agent

Senator Baucus
We are mailing you this
letter but we also want you
to know the story so
you should know about this.

Peggy

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P. O. BOX 2462 HIGHWAY 93 SOUTH • KALISPELL, MONTANA 59901
PHONE BUSINESS: 406-755-1032 HOME: 406-257-6458

December 3, 1986

Senator Max Baucus
United States Senate
Washington D.C. 20230

Dear Max,

Debbie, my travel aggency manager, just attended an airport manager's meeting called by Monte Eliason, which is a great "first" to our knowledge. I am enclosing information.

When she returned I told her to pull up Northwest, as the biggest complaint of the meeting was businessmen don't want to fly commuter small planes. They can't even open their brief cases.

Enclosed is the result of her search. How does the public know what an undefined jet is? I thought you'd like this information.

The International Marketing Meeting will be February 18 & 19th in D.C. sponsored by the U.S.T.T.A. The Unity Dinner will be the evening of the 18th. Please hold that date if possible.

Sincerely,

Dottie Maitland
DHM:man

FOR YOUR TRAVEL NEEDS CALL OUR TRAVEL SERVICE ALL IN ONE TRAVEL

A regular travel agent would pull up this code

```
W*TK231218]
OK-0112
DSNO]
OK
PTR/231216]
ASSIGNED FOR INVOICE
120DECMSOBIL7A]
 20DEC  SAT    MSO/MST      BIL/MST#0
1NW*3867 Y0 B0 Q0 M0 K0 MSOBIL  740A  850A SWM 0 XS TA
2NW*3855 Y0 B0 Q0 M0 K0 MSOBIL 1040A 1217P SWM 1 TA
3NW*3857 Y4 B4 Q4 M4 K4 MSOBIL  505P  718P SWM 2 TA
4NW*3839 Y4 B0 Q4 M4 K4 MSOBIL  750P  925P SWM 1 TA
NO MORE-1* FOR 3SEG CONX
W/EQ*JET]
JET  JET AIRCRAFT-UNDEFINED  JET

@QNW/120DECMSOBIL7A]
 20DEC  SAT
NW RESPONSE
 7NW*3867 Y0 B0 Q0 M0 K0 MSOBIL  740A  850A JET 0
 8NW*3855 Y0 B0 Q0 M0 K0 MSOBIL 1040A 1217P JET 1
 9NW*3831 Y0 B0 Q0 M0 K0 MSOBIL  105P  240P JET 1
10NW*3857 Y5 B5 Q5 M5 K5 MSOBIL  505P  718P JET 2
11NW*3839 Y7 B7 Q7 M7 K7 MSOBIL  750P  925P JET 1
W/EQ*JET]
JET  JET AIRCRAFT-UNDEFINED  JET
```

AIRCRAFT Code
17 seat Turbo prop

AIRCraft Code

This is definition of code

As you see Public doesn't know what type of jet is available.

However we have direct access so we see this information also.

as well

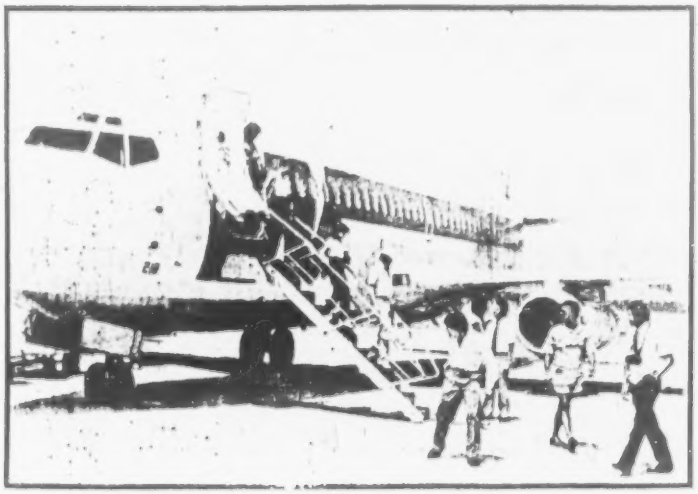
What is an undefined Jet?

KALISPELL, MONTANA

Presentation of Airline Traffic History and Economic Highlights of the Kalispell Region

October, 1986

Submitted by: Flathead Municipal Airport Authority



GLACIER PARK INTERNATIONAL AIRPORT • KALISPELL, MONTANA

Fig 1. Total Commercial Airline Enplanements

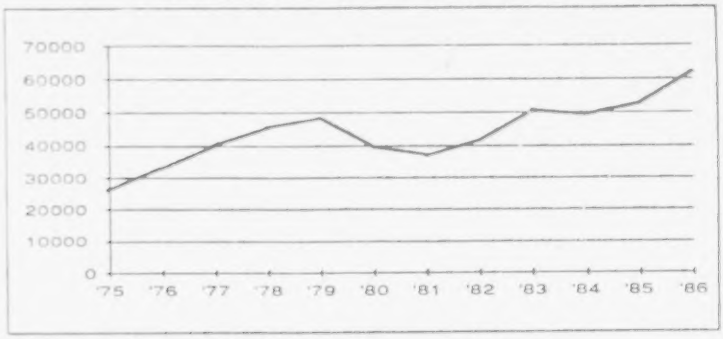


Fig 2. 1985 - Total Passengers Enplaned

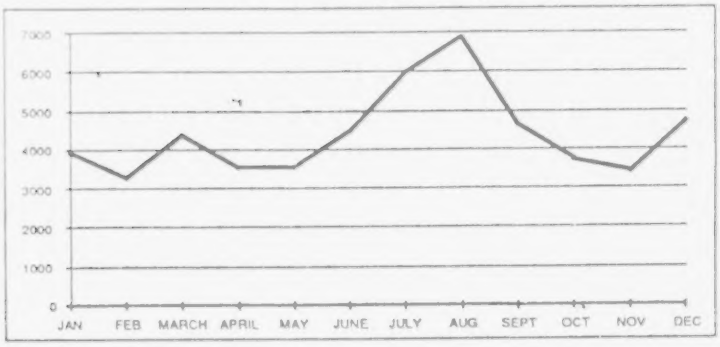
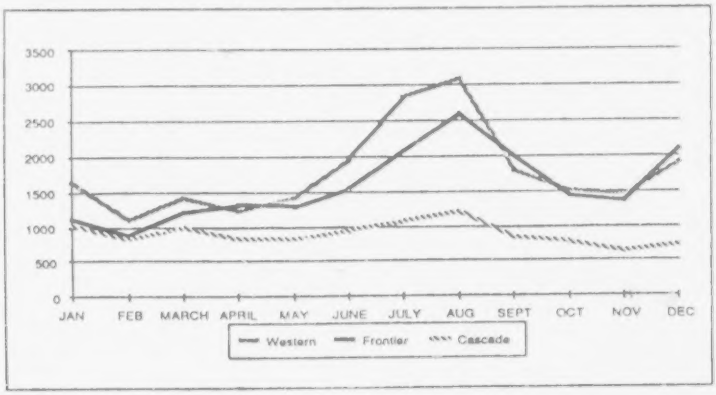


Fig 3. 1985 - Airline Enplanements by Carrier



GLACIER PARK INTERNATIONAL AIRPORT • KALISPELL, MONTANA

Monthly Boardings by Carrier 1975-1977

MONTH	1975			1976			1977		
	FAL	RC	TOTAL	FAL	RC	TOTAL	FAL	RC	TOTAL
January	440	1463	1903	661	1825	2486	717	2360	3077
February	331	1115	1446	506	1566	2072	411	2019	2430
March	416	1395	1811	532	1797	2329	584	2306	2890
April	384	1135	1519	548	1610	2158	484	1983	2467
May	450	1167	1617	611	1606	2217	510	1934	2444
June	601	1419	2020	734	2090	2824	778	2404	3182
July	720	2202	2922	781	2521	3302	890	3427	4317
August	983	2491	3474	1031	3455	4486	1118	4258	5376
September	630	1799	2429	668	2274	2942	845	2965	3810
October	480	1675	2155	513	1822	2335	687	2498	3185
November	482	1529	2011	492	1871	2363	746	2326	3072
December	815	1790	2605	1000	2236	3236	914	2802	3716
Yearly Total	6732	19180	25912	8077	24673	32750	8684	31282	39966

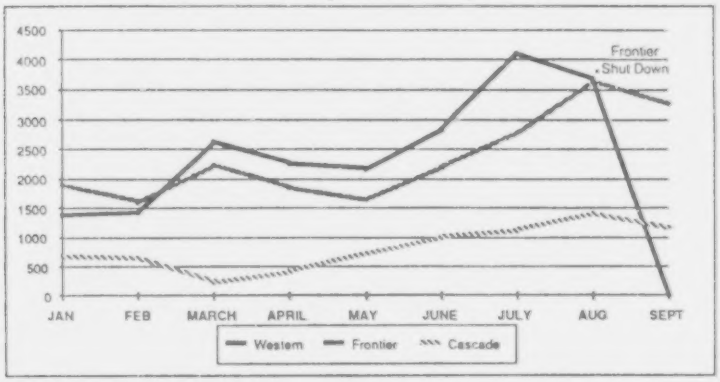
Monthly Boarding by Carrier 1981-1983

MONTH	1981			1982					1983			
	FAL	RW	TOTAL	FAL	RW	CZ	WAL	TOTAL	FAL	CZ	WAL	TOTAL
January	1445	1765	3210	1708	1609			3317	1762	733	1086	3581
February	1107	1467	2574	1229	1192			2421	1767	644	1046	3457
March	1252	1463	2715	1584	1332			2916	1773	695	1349	3817
April	1072	1255	2427	1459	1294			2753	1640	626	826	3092
May	1120	1268	2388	1520	1207			2727	1620	641	1077	3338
June	1544	1694	3238	1795	1529			3324	2003	754	1721	4478
July	1954	1952	3906	2325	1815			4140	2613	955	2364	5932
August	2123	2122	4245	2740	1875	717		5332	2930	1072	2961	6963
September	1754	1442	3196	2291	260	804	761	4116	1991	855	1566	4412
October	1538	1169	2707	1797		775	755	3327	1611	773	1147	3531
November	1515	1123	2638	1410		689	941	3040	1406	712	1423	3541
December	1847	1629	3476	1782		870	1334	3986	1825	797	158	4327
Yearly Total	18271	18447	36718	21640	12113	3138	4508	41399	22941	9257	18204	50469

FAL -Frontier Airlines
CZ -Cascade Airlines
HZ -Horizon Airlines
WA -Western Airlines
RC -Hughes Airwest
RW -Republic Airlines
PWA-Pacific Western Airlines

GLACIER PARK INTERNATIONAL AIRPORT • KALISPELL, MONTANA

Fig. 4. 1986 - Airline Enplanements by Carrier



Origin & Destination Traffic

Top States

Average 1984 & 1985	
1. Montana	25,564
2. California	16,021
3. Colorado	11,220
4. Arizona	5,122
5. Texas	5,061
6. Utah	5,046
7. Nevada	4,177
8. Illinois	3,430
9. Minnesota	3,171
10. New York	2,988
11. Washington, DC	2,957
12. Washington State	2,607

Source: D.O.T. Origin & Destination Summary

Top Cities

1984		1985	
1. Billings	13,656	1. Billings	10,668
2. Denver	9952	2. Denver	10,525
3. Los Angeles	5020	3. Los Angeles	4819
4. Great Falls	4430	4. Salt Lake City	4734
5. Salt Lake City	3720	5. Phoenix	4118
6. Missoula	3650	6. Great Falls	3518
7. Phoenix	3160	7. San Francisco	3260
8. Chicago	2670	8. Chicago	3217
9. Las Vegas	2645	9. Minneapolis	2975
10. Minneapolis	2574	10. New York	2803
11. San Francisco	2545	11. Washington, DC	2774
12. Dallas	2188	12. Dallas	2574

Source: D.O.T. Domestic City-Pair Summary Origin & Destination Sample. Numbers are adjusted to reflect ratio of sample to actual counts of 1.43.

Glacier Park International Airport serves Kalispell and all of Northwest Montana. It is the airline gateway to a dynamic and vibrant regional economy. One centered around natural resources including metals, lumber, and tourism.

Airline passenger traffic has grown 250% in the last 11 years; and is currently increasing at a record pace of 25% per year. The summer season sees the largest number of air travelers. However, with recent major expansions in large convention facilities, traffic boardings in the off-peak seasons are projected to climb.

The California markets have always been important generators of airline travel for our area. In addition, the direction of recent trends show a great increase in passengers from the states of Colorado, Arizona, Texas, Illinois, and Minnesota.

The necessary base for continuing growth and a strong airline market is in place.

The future looks bright.

Monthly Boardings by Carrier 1978-1980

1978				1979				1980		
FAL	RC	BIG SKY	TOTAL	FAL	RC	BIG SKY	TOTAL	FAL	RW	TOTA
914	2721		3635	1424	2656	209	4289	1746	2030	37
777	2115		2892	1349	2380		3729	1472	1463	29
924	2349		3273	1461	2353		3814	1478	1382	28
898	2094		2992	1303	2062		3365	1373	1211	25
760	2325		3085	1334	2135		3469	1255	1023	227
788	1995		2783	1683	2673		4356	1802	1454	325
1748	3069		4817	2716	3159		5875	2195	2061	425
2191	3525		5716	3090	3916		7006	2634	2344	497
1740	2615	118	4473	2576	954		3530	1740	1605	334
1328	2220	247	3795	2443	0 (Strike)		2443	1594	1381	297
1292	2041	249	3582	1840	990		2830	1329	1217	254
1651	2593	227	4471	1654	1823		3477	1672	1773	344
15011	29662	841	45514	22873	25101	209	48183	20290	18941	3923

Monthly Boardings by Carrier 1984-1986

1984					1985					1986					
FAL	CZ	WAL	BIG SKY	TOTAL	FAL	CZ	WAL	PWA	TOTAL	FAL	HZ	WAL	CZ	PWA	TOTA
1682	679	1599	69	4029	1130	1028	1633	145	3936	1380		1889	679	57	400
1320	546	1146	158	3170	872	821	1106	479	3278	1435		1602	645	329	401
1323	797	1174		3294	1218	994	1428	738	4378	2620	94	2233	146	414	550
1213	900	1406		3519	1325	819	1230	51	3534	2265	428	1844			458
1215	903	1044		3162	1291	831	1419		3541	2171	732	1647			455
1742	1045	1330		4117	1548	960	1958		4466	2849	1022	2205			607
2473	1113	2044		5630	2078	1077	2828		5983	4111	1130	2790			803
2936	1369	2235		6540	2593	1220	3071		6884	3675	1409	3634			871
1869	944	1632		4445	1998	838	1796		4632		1162	3253			441
1397	918	1369		3684	1442	776	1504		3722						
1384	873	1293		3550	1359	638	1431		3428						
1516	961	1643		4120	2097	732	1909		4738						
20070	11048	17915	227	49260	18951	10734	21313	1413	52525						

FAL -Frontier Airlines
CZ -Cascade Airlines
HZ -Horizon Airlines
WA -Western Airlines
RC -Hughes Airwest
RW -Republic Airlines
PWA-Pacific Western Airlines

Economic Highlights

of Northwest Montana's Flathead County

Existing Business & Industry

As of April, 1985, the Kalispell Chamber of Commerce economic data task force identified the following components of the Flathead Valley business community:

AGRICULTURE - non-farm, but including landscapers; 36 businesses, with 237 employees
MINING - minerals and oil; 15 businesses, with 119 employees
CONSTRUCTION - 210 businesses, with 948 employees
MANUFACTURING - 161 businesses, with 4950 employees; includes 43 logging businesses, with 270 employees, and CFAC*, with 1006 employees
WHOLESALERS - 70 businesses, with 756 employees
RETAILERS - 430 businesses, with 3988 employees
FINANCE/INSURANCE/REAL ESTATE - 134 businesses with 904 employees
SERVICE COMPANIES - 516 businesses, with 5799 employees; includes 46 hotel/motels, with 640 employees
PUBLIC ADMINISTRATION - 9 businesses, with 676 employees
HI-TECH SPECIALIZATIONS - 6 businesses, with 347 employees (Includes SemiTool Inc.)

* CFAC : COLUMBIA FALLS ALUMINUM COMPANY
Flathead County's Largest Employer
Annual Payroll & Benefits = $40.6 Million

Regional Population (including surrounding counties): **100,000 +**

GLACIER PARK INTERNATIONAL AIRPORT ▪ KALISPELL, MONTANA

GPI

LOCAL AIRPORT IMPACT

DIRECT AIRPORT EXPENDITURES	$ 3.9 MILLION
LOCAL PURCHASES BY VISITORS	$ 4.8 MILLION
INDUCED ADDITIONAL LOCAL RESPENDING	$15.5 MILLION
AIRPORT JOBS	62
TOTAL LOCAL JOBS DUE TO AIRPORT	155
TOTAL AIRPORT ECONOMIC EFFECT	$24.3 MILLION

Kalispell Area Chamber of Commerce Post Office Box 978 Kalispell, Montana 59901 Telephone (406) 755-6166

ECONOMIC PROFILE

Location		Population	Corp. Limits	Kalispell Division	Flathead Coun
		1960	10,151	—	32,965
County, Flathead	5,140 square miles	1970	10,526	—	39,966
Land Area	3,289,609 acres	1980	10,648	22,860	51,966
		1990	10,770	*	57,128
Kalispell business and residential area 10 square miles		2000	10,850	*	62,451
City corp. limits 4 square miles					

*Not available at time of printing

Climate	Minimum	Mean	Maximum
January	11.2	19.3	27.4
April	30.5	42.6	54.6
July	47.9	65.0	82.1
October	29.6	42.5	55.3

Ave. annual rainfall 15.93"
*Ave. annual snowfall 67.0"
Ave. length of growing season 115 days
June 12-September 5 generally frost free

*In Kalispell area, snowfall usually measures 6-8 inches on the ground from Dec. — Feb.

Tax Structure	
Assessed valuation of city	$15,323,553
Tax rate (mills)	99 in city, 56.725 in county
Schools	156.330
College	10.090
Total	328.728
Retail sales tax	No
Inventory tax	No
County valuation	$82,041,742
Montana State Tax Info	449-2837

Municipal Services

Type of local government	Mayor/council (8)
Comprehensive City plan	Yes
City zoning ordinance in effect	Yes
County zoning ordinance in effect	No (planned)
Number of full time fire department personnel	20
Number of volunteer fire department personnel	All outside city (15 districts)
Fire insurance class	5 in city, 8 outside city
District without hydrants	0
Number of full time policepersons	21 policemen, 3 metermaids, 5 dispatchers, 4 traffic safety, 2 animal control
City engineer employed	Yes
Garbage service provided	Yes
Public library in city	Yes
Percent of city streets paved	97%

Retail Sales Estimates — (most recent figures)	Flathead County	Kalispell	% of Flathead County
Total	$310,244,000	$191,612,000	62
Food Stores	79,290,000	52,866,000	67
Eating and Drink	33,331,000	14,859,000	45
Drug and Proprietary	7,050,000	3,661,000	52
Gasoline/Service Stations	24,067,000	11,113,000	46
Gen. Merchandise, Group Stores	20,067,000	9,489,000	47
Apparel and Accessories	15,809,000	11,910,000	75
Furniture, Home Furnishings	12,732,000	8,457,000	66
Automobile Dealers	55,190,000	40,341,000	73
Bldg. Materials, Hardware, Mobile Homes	23,253,000	14,949,000	60

Trade Area: 100,000+

Tourism Update through September, 1986

Glacier National Park - Located 32 miles northeast of Kalispell - Visitors: 1982: 1,660,000; 1983: 2,204,131 ; 1984: 1,946,783 ; 1985: 1,580,620 ; 1986: 1,481,600

The Big Mountain Ski Area, Whitefish, Montana - 20 miles north of Kalispell - Skier Days: 1982: 239,120 ; 1983: 250,433 ; 1984: 211,142 ; 1985: 227,379 ; 1986: 170,581

Conventions and Group Functions - Kalispell and Whitefish Facilities - 1982: 27,028 Persons ; 1983: 14,374 Persons ; 1984: 15,715 Persons ; 1985: 27,012 Persons ; 1986: 30,500 Persons

Revised: 4/83

Housing

[illegible]	[illegible]	Building permits
Percent of home ownership	60%+ (estimate)	1982: 230
Average monthly rental	$350 house; $225 apartment	1983: (through April) 77
Average cost of houses	$50,000 to $60,000	

Utilities

Electricity:
Supplier: (Generally less expensive than any other area)
Additional source: Pacific Power & Light, 448 S. Main, Kalispell
Flathead Electric Cooperative, Inc.
2510 Hwy. 2 E.
Kalispell, MT 59901

Natural Gas:
Natural gas services available: Yes
Supplier: Montana Power Co.
890 N. Meridian Rd., Kalispell
Interruptible gas available: Yes

Water:
Water supplied by: Municipal, within City limits
Supplier: City of Kalispell Water Dept., Kalispell
Source of city water: 4 wells
Average depth of wells: 250 feet
Capacity of water plan: 8,000 gals./min., 4,500 average gals./min.
Average consumption: 2,440,000 gals./day
Peak consumption: 15,781,000 gals./day
Storage capacity: 3,000,000 gallons
Hardness (ppm): 150-300 mgle, treated, chlorinated
Temperature range: 38-40 degrees

Sewage:
Type of sewage treatment plant: Activated sludge

	Capacity	Present Load
Gallons per day	2,700,000	1,500,000
Population equivalent	25,000	10,600
Sewer use charge: Yes		

Telephone:
Supplier: Northwestern Telephone Systems, Inc.
111 - 1st Avenue East
Kalispell, Mt. 59901

Commercial Services

Machine shop(s)	Yes, 6
Electric motor repair service in city	Yes
Type of newspaper in city	1 daily, 1 weekly, 1 regional daily
Radio stations	Yes, 1 fm, 4 am
Number of TV stations	1 — KCFW
Cable antenna television serves city	Yes
Number of motel and hotels available	23
Total number of rooms available	1,050
Convention facilities available	Yes, 240 rooms (banquet capacity, 1,000)
Number of banks in city	4 — Total deposits, $180,935,488
Number of savings & loans firms	3
Number of credit unions	1
Chamber of Commerce	Yes, Full-time manager, 500 members

Transportation Services

Rail:

Community served by railroad(s)	Yes
Distance to nearest loading point	Local
Number of freight train trips per day	1 trip 3 days per week
Reciprocal switching available	No
Piggy back ramp available	Yes
Distance to nearest piggy back service	10 miles
Name(s) of railroad(s)	Burlington Northern, Inc. Amtrak

Motor Carrier:

Bus Lines — Intermountain, Brown Bus Lines	Yes
Number of highways serving city	2 Federal, 1 state
City within one mile of interstate highway interchange	No
Nearest interstate is	I-90
Distance to nearest interstate interchange	110 miles

Motor Freight Carriers Serving Community:
Interstate carriers: Salt Creek Freight Ways, Consolidated Freight Ways, Burlington Northern Transport, Garrett Freightlines, Valley Allied Transfer & Storage, Wallace Coville
Intrastate carriers: Salt Creek Freight Ways, Valley Allied Transfer & Storage, Wallace Coville, Suhr Transport, and Kootenai Trucking

Time in transit for carload or truckload lots to:

City	Days by Railroad	Days by Motor Freight
Seattle	2 days	3rd morning
Portland	30 hours	3rd morning
Los Angeles	4 days	5 days
Chicago	4 days	5 days
Denver	3 days	3-4 days
Spokane	1 day	8 hours

Air:

	Glacier International Airport	City Airport
Distance to nearest public airport	9 miles	1 mile
Elevation	2,930 ft.	2,972 ft.
Type of runway	Paved	Paved
Length of longest runway	8,000 ft.	3,600 ft.
Runway lighted	Yes	Yes
Private aircraft storage available	Yes	Yes
Services	Full service	Yes
Name(s) of airlines serving point	Western, Cascade Frontier Airlines	N.A.

Distance to Major Cities	Miles	Average Air Time		Miles	Average Air Time
Los Angeles	1,319 miles	3 18	Portland	604 miles	2 45
Phoenix	1,287 miles	4 41	San Francisco	1,135 miles	4 29
Salt Lake City	636 miles	1 58	Spokane	242 miles	0 36
Denver	1,014 miles	3 20	St Paul/Minn	1,300 miles	4 35
Seattle	531 miles	0 58	Chicago	1,608 miles	5 04

Labor

Work stoppages in past two years	None	Average annual unemployment	13 3%
County Labor Data	N/A	Total employment	21,446
Civilian labor force	23,691	Agriculture employment	N/A
Unemployed	2,245	Non-agricultural employment	N/A

Kalispell Area Educational Facilities

Public	Number	Enrollment
Elementary (K-6)	16 (8 city, 8 rural)	2,085 city; 579 rural
*Jr High (7-9)	2 facilities	1,208 city; 146 rural
Sr High (10-12)	1	1,431 city; —
Special Ed	N/A	Elem 45; H S 29
Trade & Technical	1 (FVCC)	1,825
4-year College	0	0

Private	Number	Enrollment
Elementary	6	516
Jr High (7-8)	3	94
High School	3	43
College	0	0

*Kalispell has a three-year jr high school. Eighth and ninth grades attend at a separate facility and 7th grade at another.

Flathead High School, home of the "Braves," is attended by students from the city as well as outlying areas extending 10-12 miles.

School District #5
247 - 1st Ave East
Kalispell, Montana 59901
(406) 755-5015

Flathead Valley Community College
No One First St E
Kalispell, Montana 59901
(406) 755-5222

Beauty College
C & C Beauty School
20 students
(406) 257-2525

Health Facilities

Number of hospitals in community	1-Kalispell Regional Hospital. One of the finest health facilities in Montana
Number of beds in hospitals	97
Clinic in community	No
Medical personnel	65 MD, 6 DO, 6 DC, 8 DVM, 28 DDS, 1 DPM
Nurses	115 registered, 25 practical
Alert/air ambulance service available	Yes

Local manufacturing Characteristics

Major Manufacturers: Arco Aluminum, Plum Creek Lumber Co
Others: Logs/Logging — 10
Lumber and wood products — 16
Concrete — 5
Campers/Canopies — 4
Publishing — 4
Fiberglass products — 2
Signs — 3
Metal fabrication/Metal building — 5
Evergreen products/X-mas trees — 3
Foundries (bronze) — 2
Semiconductor equipment — 1
Log homes — 2
Other — 10

Farm/Agricultural Production

Farm and Agricultural Production play an important role in the economy of the Kalispell area. Below are some of the major areas of production:

Grain
Mint
Cattle
Dairy
Seed potatoes
Sweet cherries

Industrial Buildings

Building available for industrial prospects	Yes
#1 size	15,000 sq ft ; 1 floor
#2 size	25,000 sq ft ; 1 floor
Controlled sites are available for industrial prospects	Yes
Industrial Site information available through	Kalispell Chamber of Commerce; P O Box 978 Kalispell, MT 59901 (406) 755-6166

Industrial Parks

1. Columbia Falls Industrial Sites on truck route north of Highway 40. It is comprised of 7 acres divided into 6 lots.
2. LaSalle Industrial Center on the corner of LaSalle Road and East Reserve Drive. It consists of 30 acres divided into 18 lots.
3. Kalispell Industrial Center on U S. Highway 93 south of Kalispell. It consists of 100 acres divided into 45 lots.
4. Bell Industrial Park on U S. Highway 93 south of Kalispell. It consists of 6 acres divided into 7 lots.
5. Over 300-acre proposed industrial park near Glacier International Airport.

Local Chamber of Commerce

Name of Group	Kalispell Area Chamber of Commerce
Person to contact	Stebbins Dean, Executive Vice President
Address	P.O. Box 978, Kalispell, MT 59901
Phone	(406) 755-6166

Recreational Facilities

Type of facilities available in city or within 30 miles		Country club available	No
Public golf courses	2 (27 hole; 1-18 hole, 2-9 hole	Number of theaters	2 outdoor, 4 indoor
Public tennis courts	5	Nearest public access lake or river	Foys Lake, Flathead Lake (10 mi.)
Private facilities	4	Activities allowed:	
Public parks	30	Swimming	Yes
Public swimming pools	2	Water skiing	Yes
Alpine skiing resort	1 (23 mi.)	Fishing	Yes
National park(s)	1 (32 mi.)	Motor boating	Yes

Recreational Sites/Activities

Flathead Lake. Largest body of fresh water lying west of the Mississippi River; 37 miles long, 15 miles wide. 135 miles of scenic shoreline. Enjoy fishing, swimming, sailing, water skiing, campgrounds, and resorts.
Bella Mary. 65-foot-long "Motor Vessel" whose home port is Polson, on the southern edge of Flathead Lake. Enjoy cruises on the lake to enjoy the splendor of the Mission and Flathead ranges of the Rockies.
Big Mountain. 25 miles of slopes, 5 chairlifts, T-bar and rope tow, with expert, intermediate and novice slopes. Summer brings tourists to ride the lift to the top of a breathtaking view of the Flathead Valley, the surrounding mountains, and GNP.
Hungry Horse Reservoir. 34 miles long, 3.5 miles wide, 3,468,000 acre feet, 37 square miles, 500 feet deep, 3,565 feet above sea level. Fishing, boating, water skiing, swimming, campgrounds, and picnic area.
Flathead National Forest. 2 million acres, 4 recreational resorts, 23 campgrounds (almost anywhere else free in National Forest), 14 picnic sites, 6 swimming areas, 13 boat launch areas. Trail systems include 2,200 miles, 8 national recreational trails, 25 miles of cross-country skiing trails, 50 miles of snowmobile trails.
Wild & Scenic Rivers 219 miles, 1,700 miles of fishing streams, 500-plus lakes.
Jewel Basin. (hiking area — no motorized vehicles) 15,000 alpine areas, 27 lakes, 32 miles of trails.
Wilderness Areas. 3 (total of million acres), Bob Marshall, Great Bear, and Mission Mountains, all within 50 miles.
Glacier National Park. 32 miles from Kalispell, 1.6 million visitors annually, 200 glacial lakes, 1,000 miles of hiking trails, spectacular 50-mile "Going-to-the-Sun" Road through the park, which crosses the Continental Divide.
Northwest Montana Fair. Mid-August.
Logger Day Championship. June.

Libraries

Flathead County Library-Flathead Valley Community College Library
Branches: Kalispell, Columbia Falls, Whitefish
Book Stations: Bigfork, Olney
135,000 volumes, plus 11,000 FVCC volumes
280 periodical subscriptions
Local history collection
Telephone information service

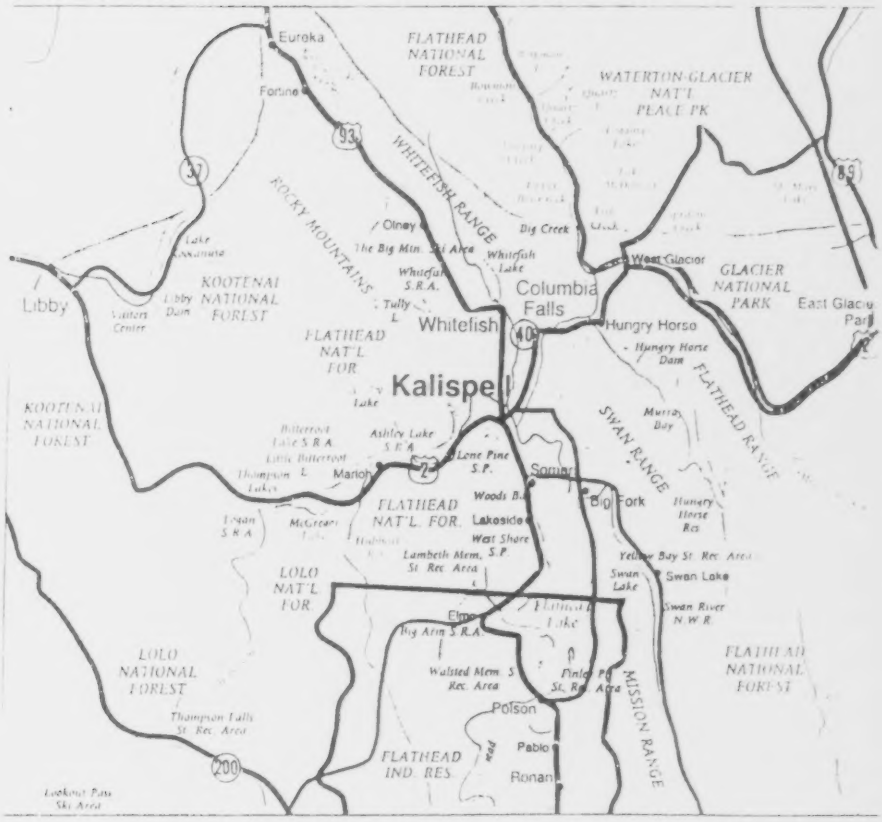
Museums and Art Centers

Conrad Mansion in Kalispell
Hockaday Center for the Arts
Bigfork Community Playhouse
5 private art galleries in the area

Churches

Protestant	31
Catholic	2
Mormon	2

Area Communities (All in Flathead County)

Location	
Whitefish	15 miles north
Columbia Falls	17 miles northeast
Bigfork	20 miles southeast
Lakeside	10 miles south
Somers	7 miles south
Evergreen (suburb of Kalispell)	2 miles east

GREATER FLATHEAD VALLEY
AND SURROUNDING AREAS